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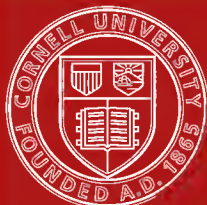
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PUBLIC POLICY EDITORIALS.

PUBLIC POLICY EDITORIALS

VOLUME II

JANUARY TO JULY, 1900

BY
ALLEN RIPLEY FOOTE

PUBLIC POLICY PUBLISHING CO.
CHICAGO

1902

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“Preach the word: be instant in season, out of season: reprove, entreat, rebuke in all patience and doctrine.

“For there shall be a time when they will not endure sound doctrine; * * *

“And will indeed turn away their hearing from the truth, but will be turned unto fables.”

II Timothy iv, 2-4.

SALUTATION.

Improvement in social and economic conditions demands a standard of honor for all dealings with the public and public service corporations that shall be enforced by the social conscience as strictly as the standard of honor for all dealings between man and man is now enforced. Men are few who deliberately sacrifice their self-respect and the respect of others for the sake of money by dishonorable conduct in private business. It is regrettable that the same standard of honor does not apply in dealings with the public and those who are rendering public services. This condition must prevail as long as laws are unintelligently drawn or not in exact accord with the principles of moral and economic justice. Humanity's common sense rebels against obeying laws that do not properly express the sentiments of the people. In all such cases evasions are the rule, and evasion, not obedience, becomes the popular test of good citizenship. The enacted law must be an intelligent expression of an honest purpose before honesty can respond to it with obedience.

ALLEN RIPLEY FOOTE.

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PUBLIC POLICY EDITORIALS.

RESUMPTION OF SPECIE PAYMENTS ON A GOLD BASIS TWENTY-ONE YEARS AGO.

The twenty-first anniversary of the establishment of a par between the paper currencies, and the silver and gold coinage of the United States occurred on January 1, 1900. This event surpasses all others in interest in our financial history.

Those who correctly review and estimate the events recorded in history will class the resumption of specie payments by the United States on January 1, 1879, as second in importance for the welfare of this country only to the surrender of the Confederate armies in 1865.

The bill providing that on and after January 1, 1879, the secretary of the treasury should furnish coin for all legal tender notes presented for redemption passed the Senate, in the second session of the Forty-third Congress, on December 22, 1874, by a vote of 32 to 14. All the Democratic senators and three Re-

publicans voted in the negative. It passed the House on January 7, 1875, by a vote of 136 to 98. All the Democrats and twenty Republicans voted against the bill. It was approved by President Grant on January 14, 1875, nearly four years before it was to go into effect.

The Democratic platform of 1876 demanded the repeal of the measure enacted in 1874, providing for the resumption of specie payments. Hostility against it was intense and dire calamity was predicted to follow its administration. But its results have justified its friends and confounded its enemies. It brought the greenbacks to par with gold and they have been held there ever since. In addition to this, all national bank notes and some \$600,000,000 of silver coins, the commercial value of which is only about one-half their face value, were brought to par with gold and have been held there for twenty-one years. In all this time the only element of doubt, as to the ability or disposition of the government to maintain the monetary system of the country on a gold basis, has been found in defects in the legislation made necessary by the compromises forced into the measure by its opponents and the antagonism and doubts raised by them to its unwavering execution.

On resumption day, January 1, 1879, the treasury held \$100,000,000 in gold, secured by the sale of bonds. It also held a large amount of newly coined silver. Had there been a rush for "coin" it would have been optional with the secretary of the treasury to have met the de-

mand in whole or in part by paying out silver instead of gold coin. The sub-treasury in New York was prepared to pay specie for paper, and was designated as the place where the exchange could be made. That was enough. When people realized that the paper currency was as good as gold coin, because they could exchange it for gold at par whenever they wished, they preferred to handle the paper, and have continued to exercise such preference.

Those who are now opposing the definite adoption of a single gold standard should closely study the financial history of this country and of Japan, where an identical experience has been gone through.

Wherever and whenever there is a doubt of the ability or disposition of a country to maintain a single gold standard, gold is at a premium over all other forms of currency or coinage and is withdrawn from circulation. For almost twenty years prior to January 1, 1879, both silver and gold were at a premium in terms of paper currency and were out of circulation. There was comparatively but a small amount of specie in the country. On the day of resumption of specie payments the treasury held only \$100,000,000 in borrowed gold. This fact, considered in connection with the fact that gold payments have been maintained from then until now, twenty-two years, in spite of all adverse circumstances from natural causes and a prolonged, fierce and uncompromising opposition, and in connection with the present specie holding of the country, teaches a lesson of the highest importance and one that

should now result in the definite establishment of a single gold unit of value as the basis of our monetary system.

THE GOLD STANDARD IN JAPAN.

The remarkable understanding of fundamental economic principles of a sound monetary system shown by the Japanese minister of finance and his confrère; the singleness of purpose and steady progressive development with which they sought the consummation of their purposes; the brilliancy and stability of their final success, and the clear, concise and convincing résumé of the monetary history of Japan during the years of its transition period from its feudal system to a parliamentary government, have attracted attention around the world. No country can show in its monetary history, as affected by its legislation, a chapter of equal brilliancy and substantial worth. The inherent soundness of the monetary measures recently enacted by the Congress of the United States is far from being equal to the basis upon which Japan has established a single gold standard and founded its existing monetary system. While this is true, the importance of the action of the United States in definitely adopting the gold standard is of the first rank, and will have great influence upon the world's monetary system during the twentieth century. The people of the world are to be congratulated upon the removal of all uncertainty regarding the unit of value from the monetary systems of Japan and the United States.

ELEMENTS OF STABILITY IN JAPAN'S CREDIT.

A nation's credit is based upon its conception of justice, its ability and disposition to be just, and its resources. These factors of credit must not only exist in a nation's traditions, laws and physical conditions; their existence must give satisfactory evidence of stability to entitle a nation to the highest rating of credit in the world's financial centers.

A nation's conception of justice is best demonstrated by its dealings with its own people. The highest test is the care with which it protects its people from the vicious effects, uncertainties and losses caused by a depreciated currency. The annals of monetary legislation of no country can show a record superior to Japan's in this respect.

The breaking away from a feudal system and the birth struggle of a new life born in the strife of civil war, left Japan with an unsound currency. Its people were intoxicated by a delusion that high prices in a depreciated currency meant an abnormal value for their wages and products. Knowing this to be untrue, the master minds that give direction and decision to the public policy of the empire first redeemed all paper currency in silver, bringing silver and paper to a par with each other. This step improved industrial conditions, but the instability of silver as a measure of value still operated as a handicap on the commerce and revenues of the empire.

The intelligence, the continuous and patient persistency and the unwavering firmness with which the formulators and guides of Japanese public policy sought, found and utilized the means of placing its monetary system, coinage and currency on a par with that of the most enlightened nations can find no better words of praise than the simple, lucid and accurate statements by Mr. S. Uchida, consul of Japan to New York. No finer or truer conception of the principles of justice in dealing with the problems of a depreciated currency and an unstable measure for the unit of value have ever been exhibited by any nation. The conversion of an irredeemable paper currency into a currency at par with, and redeemable in silver, and a second conversion of this paper currency, plus a silver coinage, into a paper currency at par with and redeemable in gold, and the exchange of a silver for a gold coinage, accomplished in the short period of eighteen years, without unfavorably affecting the wages and prices of commodities, debts, burdens of taxes and other economic conditions, or a loss to the public treasury, is an accomplishment any nation would be justly proud to have written in its history.

The ability and disposition of a nation to be just is established by its dealings with its own people and with foreigners within its jurisdiction. That commercial nations are satisfied with Japan's record in this respect is attested by the ratification of treaties by them, placing their subjects or citizens in Japan under the jurisdiction of Japan's courts. Japan's confidence in

its own ability to retain the good opinion it has earned is shown by its removal of restrictions upon foreigners and its cordial invitation to industrious and enterprising seekers after favorable opportunities and sound investments to become industrially and commercially interested in the fortunes of the empire.

The resources of Japan, while being opened to the world's commerce, have given evidence of possibilities which justify every requirement the empire has made or may find it necessary to make upon itself, in placing its monetary system on a par with the world's standard, and in developing its public improvements to the full measure of the best practice commercially successful in any country. Full advantage is intelligently being taken by studying all and adopting the best. While in its transition state the foreign commerce of Japan has increased from 79,489,166 yen for 1882, to 443,255,910 yen for 1898, and to 350,543,101 yen to October, 1899.

The most careful analysis of the elements of stability in Japan's economic conditions, discloses facts that can but result in placing the credit of Japan, as it has placed its own monetary system, on a par with the credit of the most enlightened and commercially successful nations.

THE PEOPLE'S MONEY POWER.

The millions of the many far exceed the millions of the few. The money power of the few is more effective than the money power of the many only because it is concentrated and is handled in large units. For the same reason the cost of power per horse-power is vastly less in a great establishment where the power unit is 1,500-horsepower engines than it is in a small factory, where the power unit is only 25 horsepower.

There is no agency for the effective concentration of the money power of the many equal to the government. No wiser thing can be done by a municipal, county, state or the national government than to use every occasion of issuing bonds or certificates of indebtedness to concentrate the people's money power by massing their investments in the people's securities. If the credit of the government is not sufficiently good to command the confidence of its own people it is the people's duty to reform the government.

A test of popularity is always made when a government offers its securities as a popular loan to its own people. The promptness with which the securities are taken is a vote of confidence of the most practical character.

THE VALUE OF MONEY CUT IN TWO.

Emerson says "a fact is an epitome of God." A fact is the truth. Mr. J. J. McCurdy, city comptroller of St. Paul, has furnished the statement, given below, of the loans made and the rates of interest paid by the city of St. Paul from 1873 to 1900, inclusive. One fact like this destroys all that has ever been said about "the crime of 1873" making money dearer, and the great conspiracy of the money power to demand in payment more in value than it had loaned. If this was the object of those who enacted the gold standard law of 1873—if there has been such a conspiracy—the demonstration here given of the complete failure of their purpose is absolute.

Comptroller McCurdy says: "It cannot be stated more clearly than you have done, viz.: 'The millions of the many far exceed the millions of the few.' The 'few,' the bond dealers, said we could not float our certificates of indebtedness at three per cent and were amazed when it was found that we had applications for \$400,000 when we had but \$300,000 to sell. The inclosed table is interesting showing the rapid decline in the rate of interest on certificates of indebtedness since 1894. Our people are well fixed and have confidence in the affairs of the city. The rate has fallen one-half since 1894."

The value of money in St. Paul, the metropolis of the great Northwest, is to-day only about one-third of what it was in 1873. Stability of the unit of value

and cheap money are inseparable. Here is the evidence:

VALUE OF MONEY AT ST. PAUL, MINN.

Bond Issues.

Year.	Amount Issued.	Rate Per Ct.
1873	\$ 75,000	8
1873	335,000	7
1874	50,000	8
1874	50,000	7
1875	60,000	7
1876	None.	..
1877	None.	..
1878	41,000	7
1879	4,000	7
1879	118,000	6
1879	45,000	5
1880	9,600	5
1881	22,000	5
1881	55,000	4
1882	50,000	4½
1882	376,000	4
1883	450,000	5
1884	725,000	5
1885	900,000	5
1886	475,000	4½
1887	1,489,000	4½
1888	816,000	4½
1889	460,000	4½
1889	334,000	4
1890	820,000	4
1891	*75,000	7
1891	*5,000	6
1891	75,000	4½

Year.	Amount Issued.	Rate Per Ct.
1891	*83,500	4
1892	*40,000	7
1892	*700,000	6
1892	*28,000	4

*These issues were for four years or less. No bonds have been issued since 1892.

TAX LEVY CERTIFICATES OF INDEBTEDNESS.

Year.	Amount Issued.	Rate Per Ct.
1891	\$ 890,500	6
1892	1,121,000	6
1893	1,376,000	6
1894	1,496,000	6
1895	1,479,000	5
1896	380,000	5
1896	675,000	4
1897	1,116,500	4
1898	1,081,000	4
1899	1,095,000	3½
1900	300,000	3

In 1896 the law was amended to permit the sale of tax levy certificates direct to citizens in denominations of \$500. Since 1896 the entire issue each year has been sold to citizens to the exclusion of outsiders, and to small buyers to the exclusion of syndicates—\$300,000 offered in 1900 and \$400,000 was called for. Nearly all of the issue was taken by persons who took but one certificate—\$500. The largest buyer took ten certificates—\$5,000. These certificates are outstanding, on the average, about fifteen months.

THE JURISDICTION OF CONGRESS FOLLOWS THE FLAG.

Apparently without a knowledge of the legislative history of the United States, much has been said to create the opinion that all of the rights or advantages enjoyed by citizens of states under the constitution belong equally to all persons living in any region under the jurisdiction of Congress. To show that this opinion is not new, to show that this question has been debated and adjudicated by those who took prominent part in molding the republic into its present form, we refer the reader to Benton's "Thirty Years' View," in which the origin of this contention is given and the reason for it. Jackson, while governor of Florida, rejected the idea that the constitution had followed the flag into the territory committed to his rule. In this attitude he was sustained by the administration of James Monroe and both houses of Congress. What Jackson did in Florida other governors appointed by Thomas Jefferson did in the territories acquired by the Louisiana purchase. Jefferson as well as Monroe was sustained by Congress. None of the founders of the republic ever supposed that the constitution of its own force extended to newly acquired regions. All of them, as Benton says about Jackson, while he was governor of Florida, "constantly rejected the idea of the presence of the constitution" in new territory. If this could be true of territory acquired by purchase, how much more should it be true of territory acquired by conquest?

The last assertion of constitutional rights in territories, previous to the present, was made for the purpose of extending slavery into the territories. It is unnecessary to relate the debate to which this claim gave rise or to quote the text or manner of the decision rendered. Lincoln's famous saying, "I believe this government cannot endure permanently half slave and half free," was used as an argument against extending the constitutional rights of citizens of the Southern states into the territories. If citizens of states entitled to the full enjoyment of every constitutional right could not carry their constitutional rights into territories under the jurisdiction of Congress—and they were not permitted to do this in history—how can anyone contend, knowing this history, that the constitution follows the flag? Those who remember the early days of "bleeding Kansas" know that it was because the constitution was not permitted to follow the flag that slavery was kept out of Kansas, and that the constitution did not follow the flag into that territory until Kansas was admitted into the Union as a free state. Then, and not until then, did the constitution follow the flag into Kansas.

The contention that "the constitution follows the flag" into all territory acquired by the United States is now revived by the political descendants of those who formerly raised the issue and for similar economic reasons. They do not desire to construct states and confer the full rights of citizenship upon the people of these territories. They wish free trade with them

because they believe in free trade with all the world. They wish states not governed by the consent of the governed. They are continually devising ways to govern the colored people of the South without their consent. They now contend that "the constitution follows the flag," not because they seek the welfare of the people of these territories or of the United States, but because they know if that principle is established no restrictions can be placed upon the free immigration of the people of these insular territories to this country. By this means they hope to acquire a large increment of cheap labor performed by inferior races, to whom they will not extend the right of suffrage in the states under their political control. It is of the highest importance to the people of this country that they understand the correct genesis of this cry, its economic basis, and its direct relation to and welfare of workingmen who now have the right of suffrage. The claim that this country cannot endure "half citizen and half subject" is well made. The welfare of the republic and the welfare of its workingmen, upon whose prosperity its solidity and progress depends, demands that its population shall not be increased by the free immigration of inferior races to whom the right of suffrage cannot be extended, and who, being inferior and without the right of suffrage, cannot command the same rate of wages as the citizen workingmen of the United States are now earning, and which it is to their interest and the interest of the whole country to maintain.

If the recent complication in China had placed that empire under the American flag, would those now demanding so vociferously that "the constitution follows the flag" then have dared to demand that all the privileges of interstate commerce and movements of the people should be extended, without the consent of Congress, to the 400,000,000 inhabitants of the Chinese empire? Would the intelligent workingmen of the United States have permitted it? If the principle that "the constitution follows the flag" is established for Porto Rico, by what power can its operation be suspended to keep out of this country 10,000,000 Filipinos?

There is but one safe course. It is to maintain the principle established in the days of slavery debate and rebellion, that the constitution is extended over the states of the Union only, and that all territory possessed by the United States outside of the jurisdiction of the states is under the jurisdiction of Congress.

GOVERNMENT OF INFERIORS A GRAVE RESPONSIBILITY.

The latent genius, which may be claimed as the birthright of American citizens, has been frequently developed in a most striking manner, and with brilliant results, whenever a grave responsibility has been thrust upon one who before was never recognized as being other than an ordinary citizen. Of this, Lincoln and Grant may be mentioned as illustrious examples. The events that developed their genius to deal with great questions and opportunities, by placing upon them the responsibility for leadership and action, were the birth struggles of a new era of expansion in the influence, prestige and power of the nation. The crisis with which they had to deal meant the bursting of bonds that were retarding progress, and taking the responsibility for a forward movement, or an acknowledgment of inability to advantage by the full measure of their opportunities. For them there was no other choice but to retreat or to advance. While criticisms of their conduct were never wanting at the time when they took decisive action, to-day none can be found who cannot see that advance, not retreat, was the course of true destiny.

To-day, events have placed upon those in power a responsibility for leadership and action of greater import than has ever before fallen to the lot of American citizens. This responsibility does not rest solely upon those in power. It rests upon all of the people.

We are witnessing the birth struggle of a new era of expansion. From the crucial test of demonstrating our ability to advantage by the full measure of our opportunities there is no escape. We cannot remain stationary. We must retreat or advance, as others have been forced to do before us.

We credit ourselves with being a self-governed people; with being free from traditions, castes and hereditary governing classes; with knowing what is just and right, and having the freedom, courage, ability and judgment to choose and do the right. We believe these conditions are well calculated to promote the general welfare of our people, of humanity. In recent movements of world politics the idea that we are not capable of governing ourselves has not occurred to us. No responsible representative of any government can be found willing to give such an idea voice. Yet no one will draw from this statement the conclusion that our government and its administration has reached that degree of perfection which justifies us in being satisfied. Having freedom, courage, ability and intelligence, we have not realized a full measure of right and justice in our internal affairs, because there are weaknesses in our political systems and methods which we have detected, but have not realized the injury done by them with sufficient clearness to rouse us to the necessary energy of action to correct them. We are as incapable of correcting these evils without the stimulus of outside pressure as people less highly developed are of forming and main-

taining for themselves a government patterned after and equal to our own. If they are ever raised to our present level, and are to enjoy a government like our own, this great blessing must come to them through the stimulus of outside pressure.

The supreme test of human judgment is not found in self-government, but in justly governing others. To make the best of which we are capable of ourselves is well, but so to guide others less favorably circumstanced, that they may and will make the best of which they are capable of themselves, is a greater accomplishment. The moment we attempt to do this we find ourselves sustaining entirely different relations to the problems of government from those to which we have been accustomed. We have not imposed upon our political rulers a high standard of fitness, because they are obliged to administer affairs under our observation, and we feel our power to change any administration that fails too conspicuously in serving the general welfare. When called upon to provide a government for a people unskilled in the art of self-government, we see clearly that those who plan and those who administer such a government must be men of the highest order of attainments in their respective spheres of action. We see that we must give to such a government stability and a correctly defined public policy. Governments for unskilled peoples that are no better than our own will result in disaster because the people cannot supply the corrective forces that must be relied upon to keep

the government pure and progressive. This necessity of selecting able men to plan and administer a government for unskilled peoples will furnish the outside pressure that will stimulate and direct movements for the improvement of our own government. To us has come the responsibility of creating a government that shall be in fact, as our government is in theory, a guardian, a guide, a benefactor for the unskilled and weak—a government in which intelligence shall be just to ignorance.

PROVIDING A GOVERNMENT FOR THE INCAPABLE.

The responsibility of providing a government for people who have not been prepared by customs and education for self-government is the most serious burden ever placed on an American administration. Those who are conversant with the difficulties that beset the government at Washington during the reconstruction period following our civil war have reason to understand something of the nature of the difficulties which now beset the administration in its duty of reconstructing, on an American plan, the governments of countries alien to our institutions, that have for centuries been under the administration of the most corrupt and inefficient monarchy of Europe. The difficulties would be great under the most favoring circumstances. When the problem is complicated by having to deal with people different in race characteristics, different in social, religious and

educational customs, methods and standards, it seems almost impossible of a satisfactory solution. This would be the case if the difficulties were all of foreign origin. We cannot, however, exclude from consideration the complications supplied by the imperfections in our own system of government. It is a pertinent question of gravest import: "Can we provide for people incapable of self-government a better government than we have provided for ourselves?" If we cannot, our control of these foreign provinces will be a curse to them and to us. The one thing needed above all others is a clearly defined public policy that can be carried out without hesitation or uncertainty by those who will use their opportunities only for the public welfare, who are honest and capable in every respect, and who can be retained in the service long enough to fit them for their duties and to derive the benefit of their experience. The thing most to be dreaded is the overturning of policies at the demand of those who are devoid of patriotism, who cannot rise above the desire to play politics with every subject concerning which they can have anything to say. Changing policies and changing men charged with their administration to make gains in party politics, will create chaos in these foreign provinces and make their condition under "the best government on earth" more deplorable than it was under "the worst government on earth."

GOOD GOVERNMENT FOR UNDEVELOPED PEOPLES.

The appointment of Judge Taft as president of the new Philippine Commission met with universal approval. To Judge Taft this appointment brought an opportunity that in the nature of things can come but once in a lifetime, and to but one man. The task before him is to substitute a government of law for a government of men, among people undeveloped in the art of self-government. Such a duty is of the highest order. It requires for its successful fulfillment a broad intelligence, a human sympathy, an astute and clear-sighted judgment, such as few men can command. Histories of similar endeavors are among the most intensely interesting and instructive records of the development of the human race. To the inhabitants of the Philippine archipelago Judge Taft is a modern Moses, appointed to lead the people from the bondage of ignorance and irresponsible arbitrary power to the freedom of intelligence and government responsible to the people for all of its acts.

True friends of the people have always been their prophets and lawgivers. Better conditions can be instituted only by displacing and prohibiting conditions that are evil. Evil conditions exist because some one profits by them, and they indulge the depraved passions and appetites of the people. The great heart of humanity is honest and inclines to be just. The

people are held in bondage by ignorance, degrading habits and the influence of those who prey upon them, through keeping themselves in power and the receipt of customs. They poison their minds with prejudice and resentment against those whose inspirations cause them to attempt to lead the people to a better life. No person has ever been a true friend of the people who has not been sacrificed by the mob, whose soul has not sweat blood in the struggle to raise up the down-trodden and overcome the apathy of the self-satisfied.

The records of the moral, social and economic conditions of the people have been written by those who have ruled the Philippine archipelago in the past. The opportunity has now come to place in strong contrast with these records, other records showing the influence of a government by the people upon moral, social and economic conditions. Security for personal liberty, life and property is fundamental. This security can be given only by a wise code of general laws, impartially and effectively administered. If the people can be taught to select for their officials only those of the highest character and fitness among them for the duties they are to perform, and to recognize the fact that a civil service founded on merit records in office is as essential for safeguarding the interests of the people as it is to do justice to employes, they will succeed in advancing their government from the rear to the first rank in civilization and efficiency.

PRINCIPLE VS. EXPEDIENCY.

Words of wisdom are never old. Actions to be right and just, policies to be enduring, must be guided by correct principles. The weakness of this republic lies in the fact that its public policies are guided by expediency, not principle. The leaders of the people, their chosen representatives and those who guide them in political action do not study how to apply correct principles to the solution of the problems with which they are confronted, but rather to find the line of least resistance which they can follow with the greatest certainty of winning popularity. They seem to think that if they or their party can be kept in power, great overruling principles having universal application to the affairs of men and of nations will not operate against them. They find it easier to win support by pandering to prejudice and flattering ignorance than by doing genuine educational or constructive work. The result is the people and the public men of this country are not properly prepared to deal with the new and far-reaching questions that have been thrust upon them by the course of events within the last three years. There can be no disinterested observers of national events and policy. Modern facilities for the exchange of intelligence, commodities and the movements of persons are weaving human destiny into one fabric. The confusion of tongues no longer exists. While comparatively few can speak in any tongue other than the one natural

to them, translations are easily secured, which give to every nation full knowledge of the thoughts, feelings and deeds of all other nations. The epoch in which men were scattered by the confusion of tongues has closed. The process has been reversed and this reversal is drawing the people of all nations together. While conflicts of interest still continue, the people of all countries are growing in knowledge. With knowledge there comes a limitation on the arbitrary exercise of power. Justice is demanded for all men. When universal standards of justice are established, the cohesive force of rightdoing will bind the nations together in a universal brotherhood. Public policies will then be guided by correct principles, and those who teach truth will become leaders of the people.

ECONOMIC PRINCIPLES MUST GOVERN POLITICAL POLICIES.

"Let us not say that all commerce and all policies are but a tissue of compromises, and that a political or commercial science which pretends to be something broader and better than this is an illusion. Let us as economists take the opportunity that lies before us, in the face of new conditions for whose treatment the old methods are proving themselves inadequate. Let us employ our understanding with regard to public needs as a means of evoking a public spirit. Let us use whatever special knowledge we have with all the breadth of purpose which it is in our power to attain, and make ourselves, as becomes men of science, representatives of nothing less than the whole truth."—Prof. Arthur T. Hadley.

The welfare of the people can only be well served by politicians becoming true economists, who are, in fact, representatives of the truth. It cannot be served by economists becoming politicians. Whenever the people are taught that which is untrue, they are deceived to their injury. This is often done viciously by those who are willing to profit by a falsehood. It is more often done ignorantly by those who mistake prejudice or sentiment for judgment, and for this reason readily accept and give currency to statements that are not facts.

Only the scientific investigator knows how difficult it is to establish a fact. He alone can understand the

fundamental necessity and far-reaching importance of having public records so kept that all accounts of the same class shall be accurately comparable, and shall always show "nothing less than the whole truth." To him a uniform system of public accounting properly audited and regularly published for the information of the people is the most effective means he can conceive for increasing the efficiency of governmental administration and directing political action in accordance with the requirements of correct economic principles.

Lessons of experience correctly taught are the only means by which practical politicians, or practical business men, can be developed into sound economists.

Men have learned that mathematics is an exact science. The simple rules of arithmetic, taught to the school children of to-day, have been carried forward unchanged from generation to generation, from age to age. The human mind is unable to detect any error in them. So long as they prove themselves true they will endure. Truth only is endowed with eternal life.

There are economic laws which, if rightly understood and applied to the science of politics and the science of industrial and commercial development, will accurately guide the efforts of men to the realization of the highest attainable public and individual good. To understand these laws, to apply them correctly in legislation and administration, is the highest civic duty of every citizen.

Every nation is to-day learning, at the price of a dearly bought experience, that positions of responsibility can be intrusted without risk of disaster to those only who know what is right and just, and knowing their duty, can be depended upon to do it.

When men realize that the public and their individual welfare is more dependent upon their standing for that which is right and just on all occasions, than it is upon their holding an office, progress in the science of politics will be wonderfully rapid. The good of society does not require that any person shall live, but it does require that, while he lives, he shall be a representative of the truth.

We hail with unqualified satisfaction the desire of economists to exert an increasing influence upon the political world. In this direction there is hope for the republic. In this direction lies the true destiny of democracy. When the people govern they must learn to govern wisely or their government will end in an appalling disaster.

NECESSITY OF TRUTH IN POLITICAL ECONOMY.

The silent, unseen powers that cause the work of men to execute the will of God are forcing new problems into the arena of practical politics that demand settlement. They are economic problems and can be rightly settled only by a correct application of sound economic principles. The time has come when the people must be taught to discriminate correctly between industries that can be made most serviceable when organized as regulated monopolies, and those that must be regulated by the force of free competition.

No truer words can be said now to define our position than those following, taken from an open letter addressed to the members of the American Economic Association, under date of January 2, 1891:

"We must first agree on what items constitute cost, then we must see to it that these items are honestly included in all statements of cost. This done, we are in a position to take intelligent action, and may then award the contract to the municipality or to private enterprises, whichever, in the light of the facts so obtained, may appear to be to the best economic advantage of the greater number of people, those who toil and are poor.

"Assuming that no economist will take issue with me regarding this fundamental basis for an agreement, I will advance one step further and claim, until such

a basis is agreed upon and the accounts are made in accordance with its requirements, there shall be a suspension of judgment and action. By adhering to this policy all parties will not only avoid the liability to get into positions from which they will have to recede when the statements of cost are correctly made, but large invested interests will cease to suffer from attacks that would not be made if those who utter such statements were better informed.

"I urge this claim upon you for another reason. I, like all not to the manor born, have a lofty ideal of nobility. I feel it to be a personal belittlement to be obliged to lower it. According to my ideal, the noblest men are those who worthily fill the station of teacher. What wonder is it, then, that I should feel hurt when I see some that occupy such stations giving currency to statements that tend to lessen the respect for, and therefore the influence of, those who utter them. When professors of economy give currency to statements of cost of production which practical men, in the light of accounts they are daily keeping, know are not true, they must not wonder if they find themselves and the educational institutions with which they are connected, held in small estimation. The profession cannot afford this any better than business interests can afford to suffer from the attacks of the uninformed. Here, again, I think, we have a point of agreement. Let us join hands upon it and take as our guide to action—whose cause the truth will not serve, is lost. That truth may be established,

no statement of a demonstrable fact should be made without an analysis of the conditions to show that the conclusion reached is correct."

Public service industries should be regulated, not owned and operated, by municipal, state and national government.

BUSINESS HONOR AND PROGRESS.

The influence of reason and the influence of experience constantly tend to raise the standard of business honor. It is not difficult to trace the effects of these two forces upon the conduct of warfare. Their tendency, with resistless persistency, has been always to force combatants to a higher plane of moral and intellectual development. Once victors killed prisoners. Later victors made slaves of their prisoners. This was a gain for both. Now victors exchange prisoners or permit them to return to their homes when the conflict is ended. This is a greater gain for both victor and vanquished.

Similar changes have been wrought out in the conduct of business. Once every man worked practically in isolation. Later, partnerships were formed, but competing firms regarded each other as business enemies; there was no association between them. Now every vocation has its association, from bootblacks to bankers. These associations develop business rules which facilitate transactions, render calculations certain, reduce liability to errors and misunderstandings

and promote good fellowship. Those play the game of business best who have command of the greatest resources and the most sagacious understanding of its rules.

Society has outlawed the business of the highwayman, and business ethics are fast outlawing many practices that once were customary. From the present to the day of elimination of all dishonorable conduct is a long call, but the ultimate consummation of that purpose is brought nearer by every step of progress. In no place is character and ability more highly prized than in the centers of the most highly organized business.

METHODS ARE INCIDENTAL—RESULTS ARE ESSENTIAL.

One expression of the tendency to concentration is observed in the increasing practice of appointing special commissions to deal with special subjects and to carry out large and highly complicated undertakings. A protest is sometimes made against this practice, both on the score of its being a departure from true democratic government, and of its being expensive. If the practice of appointing commissions to deal with special subjects and to carry out large and highly complicated undertakings, is to be commended or condemned solely on the basis of its financial aspect, it is inevitable that the practice will not only be sustained, but greatly extended. The business judgment of anyone will satisfy him that the thing that cannot be afforded is to have such matters as are proper subjects for assignment to

commissions intrusted to incompetent persons. In all such cases expert ability is the thing needed. Expert ability comes high, but when expense is measured by results the unit of cost is always infinitely less under the management of expert ability of a high order than it is under the management of mediocrity, no matter how well intentioned. The reason for appointing commissions is the sound business reason of sending a man to do a man's work and leaving boys to play their games.

It is not true that in a pure democracy all persons intrusted with public affairs must be selected by an election participated in by all of the people. The sole inspiration and purpose of a pure democracy is to have it made certain that all persons intrusted with public affairs shall be honest and capable—the best fitted persons in all the realm to perform wisely the duties devolving upon them. When such persons are selected by popular election it is well, but it is just as well for the true well-being of the people when they are selected by appointment. It is the quality and character of the acts of those intrusted with public affairs, not the method by which they become officials, that make or mar the prosperity and happiness of the people. That method of selecting those intrusted with the duties of public office, of making special investigations, of dealing with special subjects, and carrying out large and highly complicated undertakings, responds best to the inspirations and purposes of a pure democracy that secures for the people with greatest certainty the serv-

ices of those persons most competent to perform the duties assigned to them. There are, and will be, failures in appointments, as in elections, but infinitely less in relative number and in disastrous results. In the present stage of the development of the science of government of the people, by the people, for the people, appointment, not election, is the true course for all executive offices and duties. The people elect representatives, to whose wisdom they intrust the duty of enacting laws. Is it any less democratic for the people to elect an executive to whose wisdom they delegate the duty of appointing proper and capable persons to administer the laws? In public affairs, as in all business operations, methods are incidental, results are essential. If the results of government are to make for the prosperity and happiness of the people, every duty requiring special knowledge or ability must be intrusted to persons possessing these attainments. The selection must be by appointment.

EQUALITY OF OPPORTUNITY CANNOT ESTABLISH EQUALITY OF CONDITIONS.

Equality of human rights is not based upon equality of human powers. Men are born with equal rights before the law, but not with equal natural or acquired powers. To a natural inequality of mental and physical strength there is added great inequality in environment and opportunity growing out of social and economic conditions of parentage. The function of society and government is so to order the affairs of life that no one shall be repressed by its action and thus be forced to a relatively lower position than he might otherwise occupy. The concern of society and government is for the improvement of those who are below the average in moral and economic benefit. Those who are above the average can care for themselves.

Just laws and their administration will always affect all persons in the same way. They will not attempt to equalize powers by arbitrarily taking from one and adding to another. Such an attempt would destroy the entire social fabric and render the administration of justice impossible. Individuals may acquire or lose power as the result of their own actions. It is the decree of moral and economic justice that they shall. Humanity is stimulated to effort by the social and legal assurance that, whatever one legally acquires he may legally hold. This assurance would result in the doing of justice automatically, if all enacted laws were in strict accord with the requirements of moral and

economic laws, but they are not. For this reason a gradual readjustment is in continuous process. Procedures that were once legal are no longer legal. Property once acquired by methods that were legal cannot now be so acquired. Property once legally held cannot now be so held. The tendency is toward limiting individual freedom in action and the use of property in the interest of the general welfare. But all such restrictions, to be just, must affect all persons in the same way. When they do this they have no effect upon the unequal powers of individuals.

Individuals, like numerals, are created with unequal powers. They are all affected in the same way and to the same degree by moral and economic laws, or by the rules of mathematics. No numeral ever loses its identity, or has its relative power increased or diminished by the operation of any rule that does not affect all other numerals in exactly the same way. Political and economic conditions that multiply the power of the numerals of least value cannot do so without giving a corresponding benefit to every other numeral. All forces that work for prosperity are centered upon efforts to increase the power of the numerals of least value. Those who do not understand the problem complain because some rich people grow richer. They fail to appreciate the enormous gain of having the poor grow better off.

Power is exercised by using opportunity. Justice demands that opportunity shall be equal for all. The benefit of the opportunity, however, will be in propor-

tion to the occasion or power that each person may have for using it. This may be illustrated mathematically. Assume that society is divided into nine classes, as regards wealth: 1, 2, 3, 4, 5, 6, 7, 8, 9. Bring to each of these classes an equal opportunity to send a postal card from any office, to any other office in the United States. This opportunity is of unquestioned value to numeral 1, but it is of as much more value to all the others as their occasion or power to use the opportunity is greater than one. As an actual result, the poorest laborer may not have occasion to use a postal card a dozen times a year, while the great manufacturers and merchants, the organized industries and moneyed institutions, use them at the rate of tens, hundreds, thousands per day.

The same conditions will control any increase in the facilities or powers placed at the command of the numerals of least mathematical value. Every farmer in the country would probably vote to have a uniform rate for telegraphic and telephonic messages established for the whole United States, in the same manner as postage rates are fixed. If it were done, however, Wall street speculators would make more use of the service in a month than all the farmers in a dozen states would in a year. A two-cent railroad fare is very popular with the people. The poor, in whose interest the demand is apparently made, travel but little and not far. Their saving would be but a few cents or dollars at most. The great business organizations that pay the expenses of hundreds of men continuously

traveling from one end of the country to the other would gain enormously.

The socialists declare rightly that what is the advantage of one should be the advantage of all, and it is precisely because it is so that they are dissatisfied. Advantage, opportunity have value for anyone only in proportion to the occasion and the ability he may have to use them. Equality of opportunity has no power to establish an equality of conditions between individuals so long as it is held to be just that each shall legally hold all he can legally acquire. Every gain in advantage for acquiring will find expression in an inequality in holding.

TENDENCY TO CONCENTRATION.

There is a world-wide tendency to concentration in all human associations. The force of centralized power is invoked and is causing at one and the same time the concentration and expansion of governments; systems of religious faith and instruction; associations for scientific research, training and education; corporations for the development and management of productive industries, transportation and finance. To what this tendency is leading—where, when and how its development will be arrested, and what effects it will have upon the welfare of the peoples of the world—no one appears to be sufficiently wise to foresee.

The trust question was a topic for discussion at the annual meeting of the American Economic Association,

held in Ithaca, N. Y., December 27-29, 1899. During a debate following the reading of three important papers, an important and graphic illustration was given of the tendency to concentration, now such a marked feature of the present era of the world's history, and of its culmination. Professor Giddings of Columbia University held that concentration would not necessarily lead to the annihilation of competition. To illustrate his views he drew a diagram on the blackboard:

<u>Wheat,</u>	<u>Iron,</u>	<u>Cotton,</u>	<u>Paper,</u>
a' a'' a'''	b' b'' b'''	c' c'' c'''	d' d'' d'''

He explained that in each case, a 1, 2 and 3; b 1, 2 and 3; c 1, 2 and 3, and d 1, 2 and 3, represented independent individual producers of the commodities under which they are arranged. The primary condition is, each of these three producers compete with each other to supply the fixed demand for their product, and with the producers of all other groups to supply the elastic demand that may be induced for their products.

To illustrate the terms "fixed" and "elastic" demand, Prof. Giddings drew parallel lines:

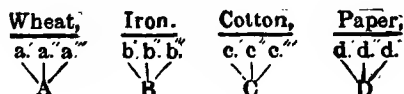
Elastic demand.

Fixed demand.

Fixed demand is that part of the demand that must be satisfied to sustain life and maintain a normal standard of living. Every person must consume a certain basic amount of wheat, iron, cotton and paper. If his income is only sufficient to supply this demand, he can-

not choose what he will purchase. But, in the event of his income being more than sufficient to supply this fixed demand, he can choose what he will buy with the excess. This power of choice creates an elastic demand. The person will use more or less of wheat, iron, cotton and paper in excess of the fixed demands, as the price of these commodities appeals to him as being relatively cheap or dear. The desire to secure the largest possible share of the elastic demand induces competition between the producers of wheat, iron, cotton and paper. This competition is the force that stimulates effort to cheapen products in all departments of industry. That product the price of which appears to consumers to be relatively cheapest will secure the largest share of the elastic demand.

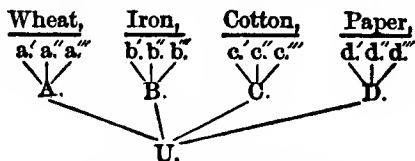
As a result of the tendency to concentration, all of the producers in the various groups may combine. The secondary condition will then be:



The concentration having taken place, instead of a 1, 2 and 3; b 1, 2 and 3; c 1, 2 and 3, and d 1, 2 and 3, acting independently and competing with each other for the largest obtainable share of the fixed and of the elastic demand, there is a big A, B, C and D acting for the whole group, and competing with each other for the largest obtainable share of the elastic demand.

This concentration will cheapen the processes of production and distribution ; intensify competition between strong competitors, and result in lessening the amount of each person's income required to satisfy his fixed demand, and correspondingly broadening the margin of the elastic demand. The final result will be greater prosperity for producers and consumers. At this point Prof. Giddings suspended the illustration of his theory of the tendency and results of concentration.

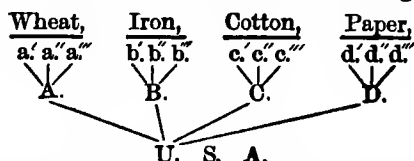
Prof. Adams of the University of Michigan, then drew attention to the fact that Prof. Giddings had not carried his theory to its logical conclusion. He stated that the persistency of the tendency to concentrate, which in the first instance caused a 1, 2 and 3 ; b 1, 2 and 3 ; c 1, 2 and 3, and d 1, 2 and 3 to combine and create a big A, B, C and D, would ultimately cause these big independent groups to combine. Then there will be :



One big U, all of the groups of producers having combined, will apportion the entire "fixed" and "elastic" demand between the constituent parts of the group, not according to the awards of shares won in competition with each other, but according to the rules of the combination. This shows that the tendency to concentration will end in destroying competition.

Prof. Giddings remarked that the big group "U" would be state socialism. Prof. Adams accepted the suggestion at once and wrote a big "S" after his big "U."

Mr. Dill then observed that before individuals, and groups of individuals, could devise a plan of combined production that would absorb the entire "fixed" and "elastic" demand and distribute the results equitably between all producers without a war of competition, humanity would have to experience the enlightenment of a new advent. He therefore wrote a big "A" after the big "S." This left the illustration of the tendency to and final result of concentration reading:



Mr. Dill's observation is to the effect that the advent necessary to the formation of group "U" is not due to arrive in this era of the world's history, therefore that competition will not be destroyed by combination.

CONSTITUTIONAL GOVERNMENT.

For a century the American system of constitutional government, separating the legislative, executive and judicial powers, has been regarded a perfect model for effective government by the people. Under this system the people are recognized as the source of power. In convention they formulate a written constitution, which is the organic law of the state. Every representative, every executive, every judicial officer is under oath to obey this constitution. This oath requires, in spirit if not in set terms, that the Legislature shall not enact, the executive shall not enforce, the judiciary shall not hold valid any enactment not in accord with the provisions of the constitution. This American system of government would be perfect if the oath of office could endow all representatives, executive and judicial officers with that degree of honesty, intelligence and judgment necessary to enable and induce them to conform all of their public acts to the letter and spirit of the constitution.

The framers of the national constitution, on which, in these respects, all state constitutions are modeled, conceived the possibility of the enactment of measures which, when judicially interpreted, might be found in conflict with the constitution. To preserve constitutional government, by maintaining the constitution as a sovereign mandate, issuing directly from the people, they made it the duty of the court to declare all enactments not in accord with the constitution unconstitu-

tional, and, therefore, invalid. It is no more the duty of the court to declare such a measure invalid than it is the duty of the Legislature not to enact it. The oath of office, in this particular, is identical for representative and judge. Whichever fails in his duty writes himself down as deficient in honesty, intelligence and patriotism. No person can vote to enact or uphold an unconstitutional measure without convicting himself of ignorance or voluntary error. He cannot do it without becoming an enemy of a government by the people.

HOW CAN THE PROVISIONS OF A CONSTITUTION BE ENFORCED?

A NEW AND VERY SERIOUS PROBLEM.

How can constitutional government be preserved when the Legislature, aided by the Supreme Court, deliberately and continuously enacts unconstitutional measures, and, because not declared unconstitutional by the courts, the executive administers them? What remedy can the people devise to compel legislatures not to enact, and courts not to uphold, measures that are unconstitutional? If representatives and judges cannot be depended upon to obey their oaths of office, what reason is there for asking or expecting the people to obey the laws they enact? These are serious questions. They are raised in an opinion by Judge John A. Shauck, given in 1893, then of the Circuit Court, now (1900)

presiding judge of the Supreme Court of Ohio. In this opinion Judge Shauck says :

"If the growing conviction that these (evils of special legislation) are ills which need not be endured, should prompt another attempt to eradicate them by amending the constitution, it would encounter serious embarrassment. For it would be very difficult, if not quite impossible, to formulate for the prevention of these evils constitutional provisions more clearly explicit than those we now have.

"Indeed, so universal has been the belief that the thirteenth article forbids special acts for these purposes, that its abrogation or change in any form would probably start the contention that the people had thereby deliberately abandoned the general policy which it prescribes.

"It is the office of the constitution to locate the powers of government and define the modes of their exercise. It would be impossible for their framers to anticipate and forbid every form or device which ingenuity can invent to defeat their provisions."

Special legislation is enacted on the plan of "You vote for my measure and I will vote for yours," while the requirement of the constitution is that all laws shall be equally applicable to every municipality, so that every such measure shall challenge the vigilance and attention of its whole representation.

NATIONAL CONSOLIDATION A REMEDY FOR RATE DISCRIMINATIONS.

The problem of discriminations in transportation rates and of frequent and unannounced changes in such rates has long engaged the attention of able men, compelled thereto by its vital effects upon their interests. Simple of solution when the right forces are brought into co-operation to that end, its solution has been and will remain impossible under conditions that have existed and still exist. Permanent rates which will yield no advantage to any shipper over others under like conditions can never be established so long as competition is permitted to exist in transportation. If the government owned and operated all transportation facilities they would at once be consolidated into one gigantic monopoly. Competition would be absolutely eliminated. Rates would be established by law and every buyer would pay the same price for the same service under like conditions. The question of rate discriminations would give way to the question of cost of service.

To eliminate competition from existing transportation facilities one of two methods must be pursued. Pooling contracts must be legalized or national consolidations must be effected. Of the two, the latter is most to be desired, because it will be permanent. In no particular are the laws of this country more illogical in design or ineffective in administration than in those applying to the great transportation systems that have been developed within the last fifty years. A great

giant has been created, nagged at by forty-six states, not one of which possesses a tithe of the power necessary adequately to regulate for the best interests of its owners and of all the people its operation and great powers for good or evil. The only power that can regulate the operation of interstate transportation facilities is the national government. It can do so only by enacting a law permitting transportation corporations to vacate their state charters and incorporate under a national enactment. The provisions of the national law, drawn in the light of experience, can adequately safeguard the interests of transportation owners and transportation users. This done, the general welfare will be promoted.

Permanency of rates and certainty that all who use a service pay for it on equal terms are vastly more important to shippers than the cheapening of rates by a few points. These conditions can be established by great consolidations under national charters granting relief from the impotent rate fixing of forty-six states. If all interests affected will work for national consolidations under national charters, the rate discrimination problem will soon be solved.

THE PROBLEM OF TAXATION.

No department of the science of government gives evidence of greater need for careful and scientific revisions than that of taxation. All taxation committees and commissions have found a wide divergence of opinion among those whose qualifications entitle them to be heard on this subject. When this is true in the free realm of theory, the fact that it is true in the concrete sphere of practical application need cause no surprise. This is the source of the multitude of complaints which caused committees to state a political axiom: "In governmental affairs fancied injustice is quite as serious as real."

Two taxing bodies should not tax the same subject. The acceptance of this principle makes it necessary to assign certain subjects of taxation to the independent jurisdiction of each political body, clothed with authority to exercise the power of taxation. It enables a state government to derive its revenues by means other than by direct levy upon assessed valuations of real and personal property by annual bills in the Legislature. It grants local option in taxation and places the state in position to require a strict accounting from all subordinate governments of the use and results of the power to exercise the right of taxation it has delegated to them. It remedies the intolerable friction between counties inherent in the device of state boards of equalization by rendering such boards unnecessary.

What more fruitful source of "fancied injustice" can exist than the entire absence of a business-like accounting for the collection and disbursement of taxpayers' money?

One peculiar feature of the local tax on real estate mortgages, and one the injustice of which demands an immediate remedy, is found in the fact that the tax is collected almost entirely from trustees or executors representing widows and orphans, who are compelled to bring the mortgages to light in the Surrogate Court. In these cases the collection of the local tax sometimes absorbs more than one-half of the income from the mortgage, a glaring injustice, a cure for which must not be denied or delayed.

The exemption of mortgages from taxation will reduce the interest rate by from one-half to one per cent. Two years ago (1898) bids for New York state bonds, with and without exemption from taxation, showed a difference of nine mills. The result of a single tax of four mills in Pennsylvania is that in new loans two rates of interest are indicated, one for interest only and one for interest including the tax. The two combined are less than the interest alone had been before the change. In Massachusetts the entire exemption of mortgages from taxation has resulted in reducing interest to three and one-half per cent. In California it is shown that the mortgage tax raised the interest rate in San Francisco by a little over two per cent, while the tax rate amounted to one and seven-tenths per cent. The difference, a little over one-third of one

per cent, is the cost of shifting the tax, which the borrower pays the lender, in addition to the tax.

STATE TAXATION OF BANKING INSTITUTIONS.

The selection, by the state of New York, of the capital of national banks, state banks and trust companies doing a banking business, as a subject of exclusive state taxation seems to be well founded. It recognizes the principle:

The subjects assigned to the exclusive use of a taxing body should be those subjects with which it is best fitted to deal intelligently and justly. Manifestly, the state can deal with the taxation of banking institutions more intelligently, justly and effectively than municipalities, townships and counties. In this case it is proposed to fix the state tax at one per cent upon the stock, the value of the shares to be ascertained by adding together the capital stock, surplus and undivided profits and deducting therefrom the assessed value of real estate.

A decided advantage of this system of state taxation is found in the fact, when once established, the income of the state can be increased or diminished by a simple act, raising or lowering the rate without in any way affecting the revenues of any municipality, township or county.

CRUDE TAXATION METHODS.

That inequalities are permitted to exist can be accounted for only by the fact that good political leaders have been poor economists. They have studied taxation problems as questions of political expediency, not for the purpose of learning and applying true economic principles in a way to remove all injustice, fancied or real. This is largely due to the fact that certain propositions, easily and correctly applied in the beginning of organized government, have found lodgment in the popular mind, and have continued to guide action without proper account having been taken of changed conditions which render them out of date. The broad propositions that all persons should be taxed in proportion to their ability—that all property should be assessed at its true value in money—strike the popular mind as being right and just. Believing this, a continuous attempt has been made to enact laws, the administration of which would distribute the burdens of taxation uniformly and equally. The framers of laws have generally overlooked the human factor in the equation. When this factor has been considered the result is usually seen in elaborate provisions to prevent evasions which encumber administrative machinery.

TAXATION OF PERSONAL PROPERTY IMPRACTICABLE.

If the teachings of experience are ever to be accepted as conclusive on any point, they must be so accepted on the subject of the taxation of personal property. This tax would not be retained through the sessions of a single Legislature were it not for the misguided ideas of farmers and small property owners that the taxation of personal property is necessary to compel the rich to pay their fair share of the taxes. If the supporters of the policy of the taxation of personal property could clearly understand what all economists see, that this tax results in putting heavy burdens on farmers and small property owners, whose personal property is all in sight, instead of compelling the rich to pay more taxes than they otherwise would, the personal property tax would quickly disappear. Nothing should be taxed that can be driven out of, or kept from, coming into the jurisdiction of the taxing authority. This proposition is fundamental.

DIVORCE STATE FROM LOCAL TAXATION.

Inequalities in assessments cannot be overcome by state boards of equalization. Laying aside all thought that undervaluations are purposely made, attention should be directed to the fact that it is not within the range of probability that any two persons will ever be found who, making independent valuations for contiguous territory, will agree in their results. This will be true for a territory no larger than a municipality, town-

ship or county. The smaller the territory affected by a valuation, the less glaring will be the errors of opinion. To escape the evils of undervaluation, and the unnecessary, expensive and highly unsatisfactory work of state boards of equalization, a divorce of state from local taxation is absolutely necessary. No subject should be taxed more than once, or by more than one taxing authority. The application of this proposition will divorce state from local taxation and render state boards of equalization unnecessary.

HOME RULE IN TAXATION.

There is a growing demand for home rule or local option in taxation. This demand springs from two sources: (a) A sense of injustice wrought by existing systems; (b) a desire to test advocated reforms which will be kept too long waiting if they cannot be instituted until they can be made mandatory upon an entire state. This requirement is seriously checking progress in the science of popular administrative government. It is responsible for much of the lack of interest in local government. It puts a restraint upon progress at its source. When local taxes are assessed on local subjects for local purposes only, interest in local questions will be stimulated into acute activity. The true merit of every taxation theory can then be tested without prejudice to the state. Only those theories that serve the general welfare best will survive.

THE POWER OF TAXATION.

The power of taxation is the most arbitrary power vested in a sovereign state. This power is sustained by the right of eminent domain. All private property is owned subject to the demands of the state. Title to private property can be retained only by satisfying the demands of the state. By an unlimited exercise of its power of taxation and its right of eminent domain, the state can become the owner of all property within its jurisdiction. Two safeguards have been devised to protect property owners against the encroachments of the state.

1. The constitutional limitation that private property shall not be taken for a public use without just compensation.

2. The necessities of the state.

These safeguards are not concrete standards, concerning which there is no difference of opinion, no danger of misinterpretation. For the sum total of all taxes paid, the just compensation given for the portion of private property so taken for public use is the benefits of government in all forms of its activities. In every case where a government undertakes only those things which are necessary for the general welfare, administers its affairs efficiently, and renders to taxpayers a clear, concise and businesslike accounting, showing that benefits, intangible and real, are fairly equal to costs, there is a high degree of satisfaction no matter what the form of government may be.

NO TAXATION WITHOUT REPRESENTATION.

When the people were governed by hereditary rules, dissatisfaction ripened into open revolt because those rulers denied the people the right to determine what should be included in "the necessities of the state," which they were called upon to pay, and refused to make an accounting to show that benefits were equal to costs correctly stated. This was the cause of the French Revolution. Many wars have been fought to establish the principle that there should be "no taxation without representation." Wherever this principle has been established sovereignty has passed from an hereditary ruling class to the people. Whoever exercises the power of taxation and the right of eminent domain is sovereign. The shifting of sovereign power from the few to the many has not put an end to injustice. The acts of the people, unless guided by a correct conception of justice, may be and are as arbitrary, unjust and tyrannical as the acts of any hereditary ruler have ever been. It is the character of the act, not the personality of the sovereign nor the source from which sovereign power is derived, that makes an act a blessing or a curse to those affected by it.

TAX VOTERS AND TAXPAYERS.

In the struggle to establish the principle of "no taxation without representation," the fighting was done by men, not taxpayers as such. As a natural sequence, the right of suffrage, on which the right to representation is based, was vested in men. This excluded from representation all women who are taxpayers and admitted to representation many men who do not recognize themselves as taxpayers. Whenever taxpayers and tax-voters are not identical, there is liability to injustice. In a community where tax voters largely outnumber taxpayers the constitutional safeguards against the encroachments of the state upon the rights of private property owners are but cobwebs easily brushed aside. When propertyless voters can decide what shall be the necessities of the state and declare that benefits are equal to costs of government, from what source can a restraining order issue? Not from the courts. The decisions of the courts must be according to law. The people, the representatives of propertyless voters, enact the laws. Not from the constitution. The people, the representatives of propertyless voters, in convention assembled, can make and unmake constitutions. The restraining order can come only from the people, the propertyless voters. Upon their honor, their sense of right and justice, property owners must rely for justice. This is their only safeguard. Overruling the affairs of men, there is a higher power that works for good. It is a good omen when propertyless voters show

by their acts that they are governed by the laws of moral rightness. Such voters recognize a standard of right to which enacted laws may be made to conform, but cannot change. Such voters know that an act morally wrong cannot be made morally right by a legal enactment. When they see that a legal enactment is morally wrong they can be depended upon to correct it. That they may see the true character of the acts made legal by their representatives, it is necessary that they shall require an accounting to demonstrate to their own judgment that the benefits of government equal its costs, and therefore that no private property is taken without just compensation. The people must be trusted and must prove themselves trustworthy.

THE ECONOMIC LAW OF TAXATION.

The only person who is equally wise on all subjects is a fool who knows nothing. The successful organization and operation of industrial, commercial and financial corporations is dependent upon the art of employing experts for every duty to be performed. To this practice is due the tremendous increase in the productive energy and the wealth of the world during the nineteenth century. Because this practice is not followed by governments, economic legislation and administration make little or no progress. Men are not endowed with wisdom by being elected members of a Legislature, nor are they deprived of their sound common sense. In all affairs of life they know if they want

a thing well done they must employ someone who is capable of doing it well.

In no department of the science of government is progress more slow than that relating to taxation. This is entirely due to the persistency of theories which worked well when first enacted into law and which sound fair to the ear but are as thoroughly inadequate to deal with existing conditions as a windmill is to run a railroad train. The people have not learned the economic law of taxation, because they have been denied the right of experiment. What progress could have been made in the science and art of electrical development, if no one had been permitted to make an experiment until everyone was convinced it would succeed? This is exactly the condition the people are in regarding the science and art of taxation. New theories are not tested, because the laws do not permit local option in taxation. Until this is done there is little hope of progress.

Recommendations are being pressed (1900) in the great states of New York, Ohio and Illinois for a clear-cut scheme of taxation that will be simple, efficient and just. This purpose can be accomplished if the simple principles of the economic law of taxation are applied to the solution of the problem. It is clearly evident that we are on the eve of important changes in our systems, if they can be called systems, of state and local taxation.

STATE BOARDS OF EQUALIZATION MUST GO.

The days of state boards of equalization are about numbered.

"1. No subject should be taxed by more than one government.

"2. The subjects of taxation reversed as exclusive sources of revenue for a government should be those with which the taxing authority is in the best position to deal."

The truth in these simple statements appeals strongly to the common sense of practical business men.

The demand for a scientific revision of taxation laws and methods is persistent and widespread. It must come.

LOCAL OPTION IN TAXATION.

We are glad to see evidence accumulating showing that those who are working for tax reform are discovering the nature of the great obstacle that has so long blocked progress. This obstacle is in the mandatory character of the legislation enacted in state constitutions and general laws which prohibit the application to the art of taxation of more recently acquired knowledge. A reform that is compelled to wait for adoption until it can be made mandatory on an entire state will cost enormous effort and expense, and be tediously slow in movement. Progress in industrial science is dependent upon the inducement for, and free-

dom in, individual initiative. Progress in the science and art of government is subject to the same law of development. Theory must be tested by practice. The smaller the number of persons whose consent must be secured for testing any theory, the quicker can the test be made. An individual can decide such a question for himself. A group of persons acting voluntarily can act with all desired promptness. When, however, the group is formed by the arbitrary power of government, and the action of a majority binding on a dissenting minority, the testing of theories can only be brought about after much discussion. The obstacle to be overcome increases with the size of the governmental group and quickly becomes almost prohibitory.

All tax reformers should direct their efforts toward securing an absolute divorce of local from state taxation, and then to obtain permissive power for local taxing bodies to deal with their own subjects of taxation as may appear to them best. To attempt to secure a universal application of the most intelligently accepted principles of tax reform is impracticable. To get such principles adopted by a single county is easily within the limits of reasonable expectation. In this way examples of experience may be obtained for the testing of any well considered theory. This will be the beginning of rapid progress. Every theory that rings true, under practical test, to the requirements of the general welfare will spread rapidly over the country. In government, as in industry, the whole people profit by the success of the individual. If the tax reformers succeed in nothing

but the separation of state from local taxation, and the removal of all obstructions to local option in taxation, a greater progress will have been made in the science and art of taxation than has been realized in a century. We hope this work will be done.

The subjects assigned to the exclusive use of a taxing body should be those subjects with which it is best fitted to deal intelligently and justly.

A DANGEROUS TAXING POWER.

We have repeatedly shown that the tendency of a certain organized system of economic education is in the direction of recovering for society, by the exercise of the power of taxation, aggregations of wealth which it is claimed have been accumulated by methods that have created social injustice. The act of Congress assessing a progressive inheritance tax, recently (1900) declared constitutional by the United States Supreme Court, is a striking demonstration of the fact that the right to own property, in its final analysis, is not protected by statutes or constitutions, but by the consent of society. When public opinion regards the transmission of vast aggregations of wealth to those who have rendered no service in its creation or accumulation as a social injustice, society will find a way through statutes and constitutions to grasp a part, and if it can take a part it can take all, of such inheritances. Decisions of courts must be rendered according to the law. The courts have no power to protect an individual in the enjoyment of a right that public opinion

has decreed shall no longer exist. To-day public opinion declares that 5, 10 or 15 per cent of the value of an inheritance shall be confiscated for public use. In doing this the discrimination is made against the amount of the accumulation, not the processes by which it has been secured. The law is blind. It cannot discriminate between the accumulations of the just and the unjust. It cannot take into consideration the methods by which an accumulation has been created. In some cases they may have been highly reprehensible and in others as highly commendable. When there are many examples of unjust methods to give weight to the arguments of those who teach that all wealth is the result of robbery; when there is a large body of ignorant and discontented voters whose support can be easily won by lurid denunciations of "the money power," "trusts" and "franchise robbers;" when there is an absence of sound and clearly defined economic principles in the basis of legislation dealing with industrial organizations and questions of taxation, there is an ever-present danger that a miseducated public opinion will become the instrument of great injustice in its blind or misguided effort to secure justice for all the people—for society.

MUNICIPAL CONSTITUTIONS.

The theory of American government is founded upon the principle that the individual is the source and the unit of political power. This power is delegated to an organized government, deriving its powers from a written constitution, which limits and regulates the rights and duties of individuals and of the representatives who legislate in their name. The requirements of the constitution, and of laws enacted in conformity therewith, are executed by the administrative department of government. An important function of the judicial branch is to construe the meaning of the constitution and laws to declare void any law that is found to be in conflict with the constitution, and to punish any disobedience of law by any public official or employe, as well as by individuals. In this system legislatures may enact any measure not in conflict with the constitution and the courts must uphold it. If enactments clearly express the will of the people who elect them, this system is, in fact, self-government by the people. It is a system in which the people are truly sovereign.

By the organization of sovereign states combined in a national union, the principle of a national government to deal with national interests, and state governments to deal with state interests, is established. In this system, while the states are deemed sovereign within their respective limits, their constitutions and laws must conform with the requirements of the constitution and laws of the nation. They are sovereign only when dealing with state interests. And many times

such interests are more or less controlled by the fact that they are not purely state interests, but are affected by a national interest.

The sovereignty of the state places upon its citizens the responsibility of state self-government. The fact that the Legislature is competent to enact any measure not inconsistent with the constitution gives pre-eminent prominence to that document. Generally such documents are very brief and are devoted to a statement of fundamental principles, leaving all measures necessary to carry these principles into practical application to be enacted by the Legislature. As such statute laws may be amended or repealed at any time, the adjustments made necessary by changes in conditions or public opinion are easily affected without any change being made in the constitution. While the statute laws fill many volumes and are being continually amended, repealed and added to by each session of the Legislature, the constitution is changed only at long intervals, and is so brief a document it may be contained in a small pamphlet, easily carried in one's pocket.

MUNICIPAL GOVERNMENT.

The primitive form of municipal government was a council, or committee of the whole. When called together it was known as a town meeting, in which every elector had an equal right to take part. This was genuine legislation by the people, an actual use of the initiative and referendum, toward which some reformers wish now to have the state and national govern-

ments journey. Some states were formed by action of these municipal governments, just as the national Union was formed by the thirteen original states. After states were once formed, however, municipalities were organized by authority of state laws, just as new states have been admitted to the Union from time to time by act of Congress.

When states provided for the organization of municipal governments by general laws or special acts, for reasons which appear to be founded in lack of constructive ability, rather than in profound knowledge of the science or philosophy of government, as demonstrated by the American constitutional system, they were organized as corporations instead of governments. As a result, municipal codes and charters have been attempted to provide for all conditions and contingencies of municipal requirements. Instead of being modeled after the constitutions of the states or of the nation, confined to a simple statement of fundamental principles and leaving to the local legislature the enactment of all measures necessary to carry those principles into effect, they have been ponderous volumes filled with detailed legislation, for the amendment or repeal of some portions of which demands were made almost before they could be carried into effect. Charters of this character are no barrier to state legislatures but rather invite their interference in municipal affairs by special acts amending charters or directly legislating for the local community affected. This method of procedure has been destructive in its effect upon civic

pride and intelligent interest in municipal affairs. The remedy lies in adopting a system for the organization and regulation of municipal governments under constitutions of their own framing, in conformity with the constitution and general laws of the state.

PUBLIC ACCOUNTING.

The business sense of any American community will at once indorse the proposition that correct accounting is indispensable to successful business management. That it is equally indispensable to the successful or intelligent management of public business, is too obvious to admit of argument. The fact that no state has formulated and put into practical use a system of public accounting designed to enforce correct business methods in the administration of public affairs is entirely due to the fact that business men have not made it their business to look after such matters. They have left the public business to those who have been drawn into political affairs. Politicians have found it more to their purpose to continue methods in use than to undertake the work of reform and incur the antagonisms that invariably result from attempting to displace an old with a new system of official procedure.

The time has come, however, when a combination of causes will force a reform in the methods of public accounting. In every legislature it is found that the determination of a correct public policy cannot be intelligently decided upon without a knowledge of facts which a correct system of accounting would make im-

mediately available. In the great state of New York, containing the financial and commercial metropolis of the western hemisphere, the system of public accounting is in such a condition that a legislative committee could not ascertain what proportion of all taxation in cities, townships and counties was paid by certain corporations (1899). Nor can it be ascertained, without tedious and expensive investigation, how much is the total gross income per annum of the villages, cities, townships, counties and other taxing bodies in the state. Information of this kind is indispensable to an intelligent revision of the system of taxation. It must be obtained. It can be obtained easily through a uniform system of public accounting.

THE FEE SYSTEM.

In many states there has been much discussion of the policy of abolishing the payment of officials by fees and adopting a fixed salary system. In a large number of cases, in which the change has been made, the people have been surprised to learn how much better collectors-of-fees officials are when all fees collected benefit their own pocket only, than they are when all fees have to be accounted for as public money, and they draw only their stated salary. This failure to collect fees, when officials are on a salary basis, has caused some communities to turn backward in their reform efforts and to discontinue salaries and give all fees to the officials instead. No community should stultify itself with such an acknowledgement of weakness. The true

course is to hold all officials to a strict account for all public money it is their duty to collect and expend. This can be done only by the adoption of a uniform system of accounting, supervised by an independent state auditor. Wyoming is doing this. In 1890 the collection of fees accounted for was but \$1,857. In 1899 this source of income had been raised to \$22,449.98. This shows it can be done.

An experience of another kind is being made in Ohio. Franklin county and the city of Columbus decided to change from the fee to the salary system for the support of the justices' courts. On the basis of the fees collected before the adoption of the salary system (1900), the fees should have continued to cover all expenses of the courts. The change was made without providing a correct system of accounting, and the result is a disastrous failure. Report says:

"Last year (1899) the expenses of the justices' courts of the city were between \$7,000 and \$8,000 greater than the receipts, while previous to the adoption of the salary system they did not cost the city one cent. All clerk hire and rental of offices were paid out of the fees collected and the justices still made good salaries."

The most astonishing thing about this situation is that, instead of devising a correct accounting system, whereby every dollar of fees due will be accounted for under the salary system, it is proposed to return to the fee system, because it is said justices cannot compel the collection of costs under the salary law as well as they

did under the fee system. In face of this fact, large numbers of persons advocate putting all public service industries under the management of municipalities. If municipal officers cannot collect court fees, how can the same class of men be depended upon honestly to collect and account for water rates, gas bills and street car fares? This is a question that should be answered by an immediate demand for an accurate system of public accounting, applicable to all public accounts.

UNIFORM ACCOUNTING FOR CITIES.

Wisconsin is now (1900) making an effort to secure first place in the list of states that are to adopt and require a uniform system of public accounting.

Mr. Stephen W. Gilman, under orders from the governor, has prepared a uniform plan of accounting for the state of Wisconsin. He is now (1900) under orders to develop a simple and effective routine for cities and villages of the state. His ideal is to devise a uniform system of municipal accounting, so that the published statements of cities and villages may be intelligible to the people.

In our opinion, no more important work than this can be undertaken in any state. Public accounts should be models for accuracy, clearness of statement and scientific grouping of items under headings that will show results in a way to cause them to become infallible guides to correct public policy and sound economic development. To do this, the accounts for each public service industry and department must be isolated and

kept exactly as they would be if the industry was owned and operated by a private corporation, or the department was supported by and under the administration of a voluntary association, and the accounting was to be done for stockholders or contributors. Under such a system the entire and true cost of every service, whether industrial or social, will be shown. The people will know whether or not rates charged for an industrial service are more than sufficient to pay its cost, and can calculate closely what additions to social services will cost and how the expense will affect the general tax rate. Beyond this, if the accounts of all municipalities are audited by the state authority and published in an annual volume of comparative municipal statistics, the people of any municipality can see whether or not their public affairs are being managed efficiently, and will know to a certainty in which department, if any, inefficiency exists. The more scientific the system is, the easier its administration will be after it has once been well established, and the greater will be its helpfulness to the people.

The accounting department of all government should be as distinct a branch of the public service as the legislative, executive and judicial. It should be as independent of political influence or manipulation as the judiciary. Its sole purpose should be to keep the people correctly informed by reporting facts. When this is done public policy can be established on a sound economic basis.

A FUNDAMENTAL REFORM.

The efforts of Governor Scofield of Wisconsin to reform the public accounting methods of the state deserve special mention because of the important results that are sure to be secured by the movement he has initiated, if it is well sustained and carried to its logical conclusion.

Governor Scofield, when inaugurated, took the ground that complete information regarding public transactions should be furnished in a manner to give all of the people of the state a correct understanding of its current business. He found, while Wisconsin was paying about one hundred and fifty thousand dollars a year for state printing, that the more widely the state reports were distributed the more apparent was the confusion in the people's minds as to the actual financial conditions of the various state departments, institutions and accounts. This situation led to an investigation. It was discovered that because of antiquated bookkeeping methods—very inadequate in any event, but made worse by being followed in a lax and careless manner by many departments—the financial officers could not tell the state's true condition. To overcome this condition, by order of the governor a simplified system of state accounting has been formulated and adopted to go into effect October 1, 1900.

Opposition has been experienced at every step in the enforcement of this reform. The opposition is not outspoken, and is the more dangerous because in-

sidious. Those who do not desire truth-telling accounts are a class of political beneficiaries who flourish during times of confusion, and when there is no correct general knowledge of exact conditions. They do not dare to say openly that they wish to keep public accounting involved in mystery and indirectness to the fullest possible extent, because such conditions are favorable to lax business methods and improvident uses of public funds, of which they are the beneficiaries. They take the more discreet course of captious criticism, indefinite objections and unsympathetic discouragements, knowing full well that open antagonism would brand them as public enemies. It is reasonable to suppose that faults of judgment may be found in the details of any system of public accounting by whomever devised. These faults will be developed by experience and improvements will be suggested, but the system, if it is to do perfect work, must be developed by its friends, not by its enemies. Those who seek to have public accounts tell the truth in the plainest and most direct manner possible, so that a person of average intelligence can easily understand the financial results of public management of every department, institution or service, are the ones whose advice should be followed in such matters, not the objectors who have some way of securing private benefits at public expense by less businesslike methods.

In every state there are powerful influences which rarely come to the surface, but are ceaselessly watchful to prevent the successful inauguration of account-

ing reforms such as Governor Scofield has initiated. The friends of good, efficient government throughout the country have every confidence in Governor Scofield's sound judgment and tenacity of purpose and are hopeful that public sentiment in Wisconsin will sustain him in the good work he has undertaken and not permit his plans for business-like, lucid methods of public accounting to be defeated.

RENDER AN ACCOUNTING.

A loss of power by a ruler, whether king, emperor, political party or boss, has never occurred where such ruler has rendered to the people a clear, concise, businesslike accounting that satisfied the judgment of the people that benefits derived from the government were fully equal to its necessary costs. A business corporation can be depended upon to retain the services of a manager as long as it is satisfied that his management is the most efficient it can secure. The people are not deficient in sound business sense, they will do the same whenever they are satisfied in the same way. They must do so if the government is ever to become as efficient as private management.

HOW CAN THE PEOPLE BE SATISFIED?

By a correct system of accounting prescribed and audited by the state, uniform in its application to all public accounts. A manager of a corporation relies upon the accounts and the statistics of the business for justification of his management. He relies upon a comparison of results under his management, and under the management of others, for his prestige and power to command continuous employment and advancement. What greater service can a state render the people, and those who serve the people, from the lowest to the highest, than to provide for each a means by which he can satisfy his employers that his management is not only honest and efficient in itself, but that it is highly efficient in comparison with the management of all others? What surer means can anyone in public life or employment have by which to retain his position and secure advancement than the impartial reports of a state auditor certifying to his accounts? Prestige and honor so secured are enduring.

A FUNDAMENTAL NECESSITY.

A correct and uniform system for all public accounts prescribed and audited by the state is a fundamental necessity for improving efficiency in governmental administration, and the correct guidance of public policy. The demand that the people shall be trusted cannot be satisfied unless the people are provided with the means of proving themselves trustworthy. This can be done only by a correct account-

ing system. Under the operation of such a system "home rule" without limit, except that the public policy of the state shall be carried into effect, can be granted to every municipality, township and county. The claim that the people can be trusted can be demonstrated by the support given to the principle, that whenever the state delegates the right to exercise the power of taxation it should require a correct accounting of its use and results.

REGULATION OF PUBLIC SERVICE CORPORATIONS.

Ten years ago we reviewed the most complete and exhaustive examination ever made of the laws of this country pertaining to public service corporations. We pointed out that there was not then—it is true to-day there is not now—a state in this Union that has upon its statute books a properly drawn law for the correct incorporation and regulation of public service corporations. All the laws under which such corporations are now operating are based upon the policy that they can be successfully operated and regulated under conditions permitting legislative competition in their business. We use the word "successfully" here in its broadest sense. We mean for the best interests of the public, and those investors who buy securities solely for the purpose of holding them as investments, seeking only security for their capital and a reasonable income from the business undertaken by its use.

There is but one way in which public service corporations can be organized, operated and regulated that will with unvarying certainty secure for the public and for investors the ideal conditions that will serve their respective interests best. They must be organized, operated and regulated as legal monopolies. Competition in their sphere of action, made possible by legislative enactments, is as destructive of the best results for the public and for capital, as a frost on a field of growing corn in June. The injury it does has many ramifications. At this time we will not go into the phase of the question dealing with excessive capitalizations that have been made necessary or induced by the duplications of service plants, and of effecting the consolidations which have been the natural and inevitable results of attempted competition in a service that can be best rendered only as a monopoly.

We will now ask attention only to that phase of the question which has to do with the earning power of public service corporations. As this phrase is used it means net earning power, or in other words the power to pay a dividend upon securities issued. The word "securities" is here used to include all stock and bond issues outstanding of any corporation. It is clear that earning power is dependent upon prices charged consumers. In a competitive business, the only restraint experienced by a seller upon the price he can charge comes from the ability of a customer to pay or from the price some other seller will take.

A thousand-dollar diamond cannot be sold to a would-be buyer for ten dollars if the buyer has not got the price. When there is but one seller, and he is permitted to do business on the competitive basis, the only regulative force he is bound to consider is what his customers can afford to pay. This condition is the source of the famous claim once strongly asserted by railroad companies that they had a right to charge "what the traffic will bear." In other words, to make their charges as high, regardless of the cost of the service, as shippers could pay without suffering an actual confiscation of the earning power of their industries. This position is logically right for every public service corporation permitted to operate as a competitive organization.

One natural and inevitable result of charging "what the traffic will bear" was the issuing of as many securities, without regard to the actual cost of the works or plants, as could be floated by the earning power of the undertaking. Every favoring economic condition, such as growth of population, improvements in the arts, which cheapened costs of construction and operation, abundant crops, the cheapening of money by securing a stable basis for values and increased volume of capital seeking investment, tended to increase the volume of securities that could be floated upon the earning capacity of organizations having possession of a field, and prices for services established on the basis of what the traffic would bear before the favoring changes occurred. By this process every

dollar's worth of the benefits of these improved economic conditions that could possibly be grasped was seized by the corporations. The people secured only a tithe of the benefits accruing from economic conditions created by their own thrift, industry and enterprise. This fact is the source of the antagonism that has for years been growing and ripening into more or less effective attacks from the people upon the attitude necessarily assumed by public service corporations. Please observe, we say, "necessarily assumed" advisedly. We hold that, as these corporations have been compelled to organize and operate under the laws enacted for their creation, they have had no choice but to do as they have done in these matters.

A second natural and inevitable result of charging what the traffic will bear, and issuing all the securities that could be floated on earning capacity, has been the exciting of the cupidity of a class of promoters and speculators who have taken advantage of the legislative competitive condition under which these public service corporations have been compelled to organize and operate to secure competing franchise and raid the business of the original company. In every instance they have had public opinion on their side. They have pictured in glowing colors the benefits of competition. They have deepened the antagonism felt against the grinding monopolies that were compelling the people to pay dividends on millions of securities which represented nothing but water. They

never suggested, however, any change in legislative conditions that would place the business of public service corporations upon a correct basis, because such a basis would destroy their occupation and deprive them of all opportunity to raid existing companies and to issue securities on their own wind. We will not pursue this phase of the subject because we now wish to follow it in another direction.

A third natural and inevitable result of charging what the traffic will bear, and issuing securities on the basis of earning capacity, has been to induce legislation designed more or less honestly and intelligently to protect the people from the evils of high charges. Here the cupidity of politicians has been excited. Corporations found themselves in a position that compelled them to defend their industries as best they could. The source of the whole trouble being unintelligent legislation, and no one with the power to set this legislation right, having studied the subject with sufficient care and singleness of purpose to find a correct solution, the proposed measures were never right. They were, to say the least of them, as unjust to the corporations as the corporations had been to the people. This made it necessary for the corporations to resist such enactments. As the measures were not based on correct principles, they were not urged by men moved by moral convictions. They came from men who found in them a source of political power because they appealed to the prejudices of the people. Those who advocated the measures

were always supported to the selling point by a group of followers who were in politics "for what the traffic would bear." Their votes were always in the market and undoubtedly have been bought, time and time again, by corporations that had no alternative but to buy or submit to enactments that would have been for the time being at least a confiscation of the market value of their securities because designed to cut down their earning capacity. The corporations could not appeal to the courts except in exceedingly expensive litigation carried to the United States courts. The expense of buying the votes necessary to defeat a vicious measure in the Legislature is generally less than to secure a verdict against its constitutionality in a United States court. These legislative conditions, buying protection against franchise raiders, and buying protection against political raiders, is the source of the corruption so impassionately charged against corporations. Opportunities that cause this corruption would never exist if the laws governing public service corporations were correctly drawn.

EARNING POWER AND TAXATION.

The penalty inevitably attached to an unsound economic system for dealing with public service corporations is being paid by the mutual disadvantages under which it places the public and the corporations. The fallacy of the Massachusetts law is in requiring new issues of stock to be sold at market price based on earning power. We ask attention to the fallacy of listing "franchise value" for taxation based on earning power, as provided for by the Ford franchise taxation law of New York. The effect of this law, if it is permitted to stand, will be to maintain charges at present rates and deprive users of all advantages that might accrue to them from changes in conditions that tend to reduce costs. If a franchise is valued for taxation on the basis of the earning power of a corporation, which is necessarily based on present charges, there can be no reason for objecting to the capitalization of the franchise value. Instead of restraining, this will induce overcapitalization, if this term is used to express an issue of stock or bonds in excess of tangible investment. Having recognized capitalization on this basis and collected a tax upon it, the state is not in a good position to undertake to reduce charges, thereby reducing earning power and franchise value.

While the laws of Massachusetts and of New York deal with the problem from different points of view, and for the attainment of different objects, their logical results are identical so far as they affect the public interests. Both laws are intended to restrain cor-

porate aggrandizement; both laws are aimed at the corporation and lose sight of the interests of the users of the services they sell. If the public interest is to be correctly served, both states must reverse their action and establish a system whereby the charges for services will be based on actual costs and interest and profit will be computed on a bona fide investment. Below this basis the public cannot force prices charged for service, nor exact a tax that will impair the net earning power of the corporation stipulated in the contract.

We do think those who are handling the taxation question in New York have not done so in the wisest way. It is possible that the logic of conditions has dictated their attitude, as it must inevitably dictate the attitude of the Legislature when called upon to legislate so as to render reductions of charges possible, after the state has compelled the sale of stock in one instance, and the valuation of franchises in another instance, on the basis of a market value determined by earning power at present prices.

When it is contended that "the courts have held that in the case of railroad companies no legislation should be enacted reducing the rate of fare unless 10 per cent is earned on the capital," it certainly cannot be supposed that the court construed the word "capital" to mean all the stocks and bonds the corporation could float on a 4 per cent basis. This would mean issuing stocks or bonds in excess of the capital invested, one and one-half times the value of the tan-

gible investment, as 10 per cent on \$1,000,000 will pay 4 per cent on \$2,500,000. Rates could never be reduced if this basis of capitalization was to be considered the "capital" upon which 10 per cent must be earned before a reduction can be ordered. Yet this illogical conclusion must be reached when we find another attorney contending that "the valuation of the franchise of a railroad company should properly be determined mainly by the earning power of its capital stock." The confused ideas of some attorneys, when attempting to discuss economic problems, are more plainly shown by one who claimed that the road he represented "would not have been able to pay its expenses last year but for a large loan." Did the road pay expenses if it was obliged to obtain money to cover its expense accounts by borrowing? We ought not, however, to blame this attorney when he has the example of the Hon. John Sherman issuing treasury notes "in payment" for purchases of silver bullion. The country is not proud of the experience gained from that experiment and we have no doubt this railroad company will grow weary of paying its expenses by means of large loans.

The public reason given for the enactment of the Ford franchise tax law was that it was a necessary measure to compel the corporations to pay their fair share of tax. The question of what constitutes a fair share, it was thought, could be determined by taking the market value of their securities and deduct therefrom the value of all property assessed for taxation,

and then declaring the difference to be real estate, and taxing it accordingly. This system, as one of its advocates tersely stated it, "is sure to catch everything seen and unseen." It is regarded by some as a great triumph for just taxation, although no attempt is made to conceal the fact that no person, firm or corporation is dealt with in this way, excepting only those that are trying to serve the public by making a special use of public right-of-way. A manufacturing corporation may capitalize on the basis of earning power and issue stocks or bonds, in nominal value, as much as it pleases, without regard to actual investment, or whether the securities sell below, at or above par, and have no fear of being taxed on the market value of the securities issued.

To give the public some tangible idea as to whether or not street railroads are paying a fair share of taxation, Mr. Edward E. Higgins, the able editor of the Street Railway Journal, has published a statement showing the differences in the taxation of street railways in England and in the United States. He there shows that out of forty-five states, the street railways in New York and Massachusetts alone "are actually paying five times as much money per annum into the public treasury in the form of taxes as are all the tramways of Great Britain and Ireland combined." It is not probable that the publication of this information would have had any influence on the enactment of the franchise tax law. That law was not enacted "to establish justice," which was the fundamental reason

for the adoption of the constitution of the United States. It was enacted to satisfy a demand for political prestige, to be won by hitting public service corporations, and for a deeper reason, of which the promoters of the measure may not be aware, since the well-informed editor of the Street Railway Journal does not appear to be cognizant of it. You may read in the editorial already referred to the following:

"It is nothing less than highway robbery to attempt to fasten these enormous burdens of taxation upon the street railways of New York state. It is impossible to doubt that an organized crusade against private capital engaged in this business is well under way. The idea appears to be that the public—or rather the demagogues temporarily representing the public—being unable to bring about municipal ownership of public utilities by legal processes, have deliberately gone to work to make street railway and other franchises valueless by the simple process of taxing the companies out of existence. It is hardly necessary to say that the managers of the New York railway properties will be derelict in their duty to their stockholders if they do not resist to the last this iniquitous attempt at confiscation."

It should not have been necessary to wait for this demonstration to learn that there is "an organized crusade" to make "franchises valueless," since this plan of operation has been openly and vigorously taught by the leaders of thought among municipal ownership advocates. From their point of view the crusade is

not against "private capital engaged in business," but against the capitalization of earning power. Their purpose is to force, by the methods of fiat limitation on rates which corporations are permitted to charge for the services rendered by them, or by the exercise of the power of taxation in whatever way it may be pressed—a reduction of net earning power to a point at which it will pay a small profit on the actual investment. In some of the anti-trust resolutions proposed in Congress this profit is fixed as low as 4 per cent. Against this attack perpetual or 999-year franchises offer no protection. The only escape from it that we have been able to find is to place public service corporations on the sound and satisfactory basis of contracting to render service at cost, plus a reasonable profit on an actual investment. Against this proposition no intelligent and honest person urges an objection.

MONOPOLY DIVIDENDS.

The unsound practice of capitalization on the basis of earning capacity has led to some logical results not wished for by the people, or by financiers. It received legal sanction in Massachusetts by a law intended to prevent stock-watering, providing that public service corporations, when issuing new stock, shall not, when the shares of a company command a premium, issue the stock to existing shareholders at their par value, but shall either dispose of them at public auction, or at a price in advance of their par value, as the state

authorities, with a knowledge of stock market quotations, shall see fit to prescribe. Market price is based on earning capacity. When the state fixes the price a buyer is to pay for a stock, and bases the price upon the then earning capacity of the undertaking, it morally, if not legally, places itself in a position where it must defend the earning capacity of the stock. If it does not do this, if it permits the price of a stock to be fixed on the basis of existing charges for services rendered and then uses its authority to reduce those charges, it ceases to be the protector of property ownership. It sanctions the sale of a stock on the basis of present earning power, and then sanctions the reduction of prices of service and it confiscates a part of the stock value.

PRACTICAL EFFECT OF THE MASSACHUSETTS LAW.

The practical effect of the Massachusetts law is to create a barrier against reductions of prices for services to private users, and to prevent investors from obtaining any profit for the use of their capital. To show this clearly, an assumed case may be used for illustration.

A company constructed gas works twenty years ago and invested \$100,000. They built a little in advance of requirements and started with a selling price that did not yield a profit. All that investors could secure for the first few years was interest on their investment. In the course of time growth of popula-

tion, improvements in the arts and general economic conditions enabled them to reduce prices and at the same time make profits. At the end of twenty years their stock has a market value of \$200 because they are paying 10 per cent dividends. They now want to enlarge their works and ask authority to issue more stock. The state says: "You must sell this new stock at \$200. Issue \$50,000 in stock at \$200 and you will secure \$100,000 for the enlargement of your works." It is done. The dividend of 10 per cent to original shareholders is a dividend of only 5 per cent to the new shareholders. Now comes a demand from the people for a reduction in prices, and it is met with the statement, prices cannot be reduced. If you curtail the earning power of the works you will confiscate the value the state has placed upon the last stock sold.

The new investor has made the unsound transaction of placing money at risk with no prospect of securing any greater return than the use of the money is worth when loaned on mortgage security practically without risk.

COST PLUS PROFIT THE ONLY CORRECT BASIS FOR PRICES.

When dealing with a monopoly, the interests of the public are served by making it certain that prices to users will be determined on the basis of cost plus a reasonable profit on actual investment. The attempt to determine price by controlling the issuing of stocks and bonds, or the prices at which they may be issued, is illogical. If interests and profit are computed on actual investment, it is a matter of indifference to the user of the service how that investment has been secured. The price to him will not be changed in the slightest, whether each dollar of investment is covered by a share and a bond, or two shares, or a share sold at 100 per cent premium.

The advantages of monopolies are for the benefit of the people and for investors. The concentration of a service for an entire city, and for all time, under one management, has many economic advantages which should accrue directly to the benefit of the people. In addition to these the interest rate allowed investors may be no more than the rate paid by the municipality on its bonds, and the margin for profit may be calculated at twice this rate. The people practically say to the investor, we will give you a monopoly of this business on condition that prices for services shall be based on true cost plus, say, 8 per cent profit, it being understood that interest at 4 per cent is included in cost. This will make an initial income for the investor, if earned, of 12 per cent on an actual

investment, and will establish a principle that will benefit the user and the investor through all time and absolutely eliminate all cause of antagonism.

Under this system the price is estimated for a period of years. During this period the growth of population, improvements in the arts, and favoring economic changes may cause the price to yield a surplus. One-half of this surplus will be paid to the city and one-half will be added to the investors' income. A surplus can exist only because a lower level of cost has been established than was used for the original calculation. This may be true, also, of the general value of money, as shown by the rate at which the city borrows money. When the time for a new adjustment of prices arrives, no question as to how the adjustment is to be made can arise. That was settled by the adoption of the principle that the monopoly shall serve the people on the basis of cost plus a profit determined at twice the rate of interest the city pays on its bonds. This interest is a standard for determining the value of money. An investment under these conditions is as good when money is worth only 3 per cent as one made when the interest was 4 per cent; therefore, if interest falls, profit can fall correspondingly without doing violence in any way to the investor. Combining the advantage of the falling rate of municipal interest with other economic changes will bring to the user all the reductions in price that can be obtained under any possible conditions. By declaring all accounts necessary to the

determination of cost, public accounts, requiring them to be kept in form prescribed by the state, and audited by the state, the state will be in position to guarantee good faith on the part of the corporation, it will have no occasion to trouble itself with issues of stocks and bonds, nor can it get into any complications by observing market price. By the application of this principle, which is the only correct economic principle for dealing with public service corporations, prices will reach a lower level, and equipments and services will be better than can ever exist under municipal ownership or any other method of regulation. There can be no frauds practiced against users or investors when the government performs its true function of ascertaining and publishing the facts of cost.

FAIR TREATMENT FROM BOTH SIDES.

Corporations should deal fairly with the municipality, and the municipality with the corporations. Attempt should be made so to determine the conditions under which corporations and municipalities may deal with each other that there can never be a question as to fair dealing on either side. The fact that fair-minded men on both sides find such radical and grave faults with conditions that are the outgrowth of past and existing laws and ordinances is proof that the cause of the evils suffered by both sides is in improper legislation. All effort to secure fair dealing from both sides must be directed to a revision of leg-

isolation relating to public service corporations that will render fair dealing possible and certain.

THE TRUTH MUST BE TOLD.

The fundamental error is found in organized public service industries as a competitive and a private business. The law and decisions of many states are all aimed at preventing the creation of monopolies. In doing this they have denied to these industries the safeguards that are indispensable to permit of their management in the mutual interests of users and investors. Instead of regarding these industries as being affected with a public interest, of which they cannot be divested without injury to the public, the laws have dealt with them as private interests and have permitted their accounts to be kept and respected as private accounts. Secrecy of accounting is the cause of the charges of unfair dealing on both sides.

When the public makes a demand upon corporations it strikes out blindly because it is not in possession of facts necessary to guide its demands intelligently. The corporations cry out that the demands are unfair. When the corporations want concessions from the public their efforts are regarded with suspicion because it is thought they do not offer all that they think the privilege is or may be worth. The public cries out that the offer is unfair. This condition can never change as long as the accounts are permitted to be kept as private accounts and one party only has the information necessary to determine what

is fair and what is unfair. The first approach to a satisfactory adjustment must be made by effecting an exchange of protection for publicity.

These industries must be recognized, in law as in economics, as natural monopolies affected with a public interest. That this public interest may be properly developed and safeguarded, the franchises under which the industries are operated must be invested with all the monopoly powers and privileges, and the perpetuity of the governments of which they are an integral part. Upon this basis, and only upon this basis, can their accounts be classed as public accounts and divested of all secrecy. When this is done an impartial public auditor will demonstrate to both sides what is fair. When this is known either side will stultify itself by demanding what is known to be unfair.

CONFISCATION DEMANDED BY KANSAS STATE LABOR SOCIETY.

It is philosophically true that the justice one does is limited by his conception of justice. A labor organization, speaking in the name of all organized labor in the state of Kansas, perhaps honestly endeavoring to improve conditions for laborers, but possessed with so little knowledge of the economic principles that govern all conditions under which labor and capital are combined, thinks it can strike down organized capital without killing organized labor. The confession of inability to regulate, and the demand for an-

nihilation, is an abandonment of reason and an appeal to the tyranny of force.

A labor organization, itself a trust, created to increase the cost of production of articles of commerce, should not be illogical. It should not expect to improve conditions for labor by demanding that labor employed in production may be controlled by a labor trust, but that the commodities produced shall be confiscated by the state, because they are the property of the capitalistic organization that paid the wages of labor while engaged in production. If capital cannot own commodities produced by labor and material for which it has paid, it will not furnish the means for carrying on any manufacturing process. If labor is not employed the value of its power to produce is worse than confiscated, it is absolutely destroyed. In asking the state to confiscate all property belonging to trusts, the State Labor Society of Kansas has asked that labor shall be deprived of employment; shall be starved.

Confiscation of property is a punishment for treason. This relates to property. The personal punishment is death. The demand of the State Labor Society of Kansas is that the property of organized capital shall be confiscated and the members of labor organizations shall be starved. Are they therefore guilty of treason?

Here we have a logical result from an illogical demand. If William J. Bryan is an authority, "the Democratic party is unanimous in the belief that trusts must be annihilated." He does not say how this is to

be done. This Kansas State Labor Society solves that question by a demand for the confiscation by the state of all property belonging to trusts. In neither case is a definition of trusts given clearly determining what is to be annihilated, or what is to be exterminated. Mr. Bryan did say: The word "trust" is being used to describe a form of corporate wealth which monopolizes the production of any article of commerce. He did not say he would limit the definition of "trusts" to this explanation. No organization of corporate wealth has ever had the power to monopolize the production of any article of commerce. Therefore, under this definition there has never been a trust. Will Mr. Bryan kindly inform the people just what it is the Democratic party is unanimous in wanting annihilated? Will the State Labor Society of Kansas declare what acts, which, if done, shall make property owners liable to the penalty of confiscation?

Annihilation, extermination, are not the watchwords of a party of progress, of prosperity. They belong to a party of destruction, not of construction. Labor cannot long be employed, nor can it find prosperity, in the work of destruction. The welfare of the people is served only by those who can do constructive work—those who can organize and direct the forces of labor and capital to the accomplishments of productive enterprises. To induce enterprise the laborer and the capitalist must be protected by society in their right to own, enjoy and dispose of the products of their joint labor. Upon this principle civilization rests.

AMENDING CITY CHARTERS.

Conclusive evidence that organic laws for the organization and regulation of municipal governments do not comply with the requirements of corrective principles is furnished by the continual enactment of special laws, by state Legislatures, affecting the domestic affairs of some city or of a few cities; and by the short life of city charters without amendment. The fault lies not so much in the lack of ability on the part of those who undertake the work of constructing city charters, as in the wrong popular conception as to the true functions of a city charter. Instead of constructing a constitution for a city on the same principles the constitutions of states and of the nation are constructed, clearly defining certain enumerated powers and methods of legislative, executive and judicial procedure, city charters have been drafted with the purpose of placing in them, in minutest detail, a large portion of all the legislation the city is assumed to need. This has resulted in a large body of laws, changeable only by amending the city charter, which should be in condition to be amended, altered or repealed as easily as a Legislature can so change a statute, or a city council can change an ordinance.

The commission that drafted the charter for Greater New York (1898) were able men, who gave much valuable time to their work. Notwithstanding this, the work was so imperfect, or left the city so defenseless against interference by the Legislature, that nearly one hundred and fifty bills affecting New York City

only were introduced in the Legislature next following the adoption of this charter. To-day (1900) a new commission is at work revising the charter. It has not been in force five years.

A charter commission worked long and faithfully to devise a model charter for San Francisco. It produced a large volume of laws, to which the Legislature gave its approval. This charter was ratified May 26, 1898, approved by the Legislature January 26, 1899, and went into effect January 8, 1900. One of the provisions of this charter is that it "may be amended at intervals of not less than two years." It is already apparent that amendments to the charter are necessary and urgent. A discussion is now in progress as to whether the two-year limit must be computed from the date of ratification, approval or operative effect. This is the inevitable result of putting a legislative code into a city charter.

The charters of Baltimore, Minneapolis and many other cities are volumes of laws rather than constitutions of the kind upon which states are founded. The frequency with which city charters are amended and the infrequency with which state constitutions are amended is the inevitable result of putting too much legislation into the charters. All questions that are in an experimental stage of development should be retained in a legislative form, where the enactments regarding them can be amended, altered or repealed almost at pleasure without touching the foundation of the government. Only those questions the right

solution of which has been evolved by reason and experience, and are regarded as settled, should find a place in the organic law which, in the interests of stability, should be held inviolate and changeless. When the proposition is adopted that villages and cities should be organized under a general law, by the adoption of a municipal constitution in conformity with the constitution and general laws of the state, which cannot be changed except in accordance with its own provisions, and by state laws having uniform application of every village and city in a state, it will be possible to develop a well-defined and correct state and municipal public policy that will render constant changes in the construction of municipal organization unnecessary.

REWARD OF MERIT.

An important cause of the difference in efficiency between political and business organizations is found in the difference in the way in which merit is rewarded by them. In political organizations the test of merit is ability to promote and control the party organization. In business organizations the test of merit is ability to promote the commercial success of the business. The one uses all its positions, its opportunities for promotion, as rewards for party service; the other uses them as rewards for efficiency in business service. The result is, in the one case, instability in employment and lack of incentive to excel in fitness for work to be done; in the other case, a guarantee of continu-

ous employment and certainty of promotion according to demonstrated fitness to do the work of an assigned position. This organic difference in the object and methods of administration accounts for the difference in the ability with which the affairs of great municipalities and great corporations are managed. In no city can there be found a mayor and heads of departments who are in their respective positions at the present time as the result of the devotion of the best years of their lives to the development of good municipal government and efficient administration. In hardly any great corporation can there be found a responsible manager and his staff of superintendents who are not there solely on the basis of demonstrated merit in working their way from subordinates to responsible managers. What the people of this country need more than any other one thing for the improvement of the general welfare is a system of election and selection that will save them from the mistakes and wastes of incompetent servants.

GETTING AND GIVING SOMETHING FOR NOTHING.

The theory of getting something for nothing by getting rid of highly paid corporation officials soon began to produce its legitimate results in the management of Detroit public lighting plant. Business men with large interests of their own to manage soon found they could not afford to subject themselves to the demands made upon their time by the interests of the Public Lighting

Commission. They discovered that they were not dealing with a subject calling for the sacrifices demanded by patriotism or ethical sentiments. They found they had only a plain business proposition to deal with which was to show by the municipal ownership and operation of the public lighting plant that they could save money for the taxpayers. They found that one important item in the saving was their own work done for nothing. They found in order that taxpayers might get something for nothing someone had to give something for nothing, and that someone was themselves. They tired of their task and one by one they dropped out of the commission.

A BUSINESS PROPOSITION.

Working for nothing or working for less than the service will command elsewhere is not a sound business proposition. The commission and Mr. Dow had to meet this contingency. It was met by Mr. Dow choosing to become one of the highly paid corporation officials the municipal enterprise was intended to destroy, rather than to remain a poorly paid public servant, beset by the criticisms and claims of numberless politicians whose only idea of the service of the public lighting plant was its usefulness as a "pie counter."

When a plant is operated for the benefit of tax-eaters, taxpayers become slaves. The only public benefit that can be derived from the present condition of the Detroit public lighting plant is that of a warning to other cities contemplating such enterprises to

abandon them before it is too late. This is the warning given by Boston's municipal manufacturing industries, to Pittsburg and all American municipalities. It is the warning given by the closing of the Chicago electrical repair shops some two years ago.

There has not been a year during its existence that the public lighting of Detroit supplied from its own plant has not cost taxpayers more than the same service would have cost them under contract with a private corporation. There will never be such a year. The best disposition the city of Detroit can make of this plant is to follow the example of Philadelphia and lease it to a private corporation to be operated under contract.

ECONOMIC DISCIPLINE AND LOW SERVICE COST.

The axiom that "the hope of reward makes the laborer sweat" has received a new rendering and a practical application. Mr. W. L. Abbott of the Chicago Edison Company advised the National Electric Light Association, in a paper recently read before that body under the title of "Operating Economics in Central Station Practice," to pay operatives partially in hopes and promises.

"By this I mean," Mr. Abbott explains, "to have a well-defined and well-known line of promotion, and to have each one know his position in that line, and that his chances for promotion depend upon ability, fidelity and the length of time in service. The most

demoralizing and disorganizing practice that can be introduced is to put a new man, a relative of an official or a friend of some politician, into a desirable position, over the heads of equally good men who have borne the drudgery and hard work of inferior positions."

It is the power to organize and enforce efficient economic discipline that gives industrial corporations an indisputable advantage over political corporations in the ownership and operation of public service industries. The mayor of a large city once summed up the difference in conditions as follows:

"A private corporation can hire men for less than I can. It can work them more hours in a day than I can. It can get more work per hour out of them than I can. It can make them more saving of the tools and materials they use than I can. This margin of difference will amount to from 25 to 30 per cent."

Any business man can easily test the reasonableness of this statement by comparing the effectiveness of the management of the mayor and his appointees in doing the public work in his city with the management of the officers of a private corporation in doing similar work. If the margin of difference in favor of private management is as much as stated, or only half of it, then it is as certain as 2 plus 2 equals 4, that cost, plus a reasonable profit under private management, will not exceed cost under public management. Government officials cannot enforce the highest degree of operating economics,

A HARD LESSON TO LEARN.

Mistakes are never made when public policy is guided by experience. The lessons of experience do not have to be learned twice by those who know the authority of a fact. The great difficulty in the way of getting a correct public policy adopted is found in the imperfect education of the people. This is caused by their being taught so much that is not true. Opinion is usually formed on a basis of prejudice, sentiment or theory, seldom on reason or a knowledge of facts. Few persons are able to think accurately. They cannot distinguish what they think from what they know. Their minds are filled with what others have said. They contain but little knowledge of what people have done, and of the results of their action—very few facts.

Commencing with the construction of the great national road in 1818, the opening of the Erie Canal in 1825, and assisted by the distribution of a surplus from the United States treasury by President Jackson in 1836, there was a wild era of public improvements undertaken by state governments, resulting in state debts amounting to \$200,000,000 and a panic in 1837. At this date opinion began to oppose the participation in public works by the state and to favor the creation of private corporations. These corporations began to take the place of the government in the construction and operation of public improvements in 1842. The reaction against public ownership at this time became so intense many states remodeled their constitutions

so as to forbid state ownership of public service industries. The wonderful industrial development of the United States is due to the sagacity, energy and enterprise of its people acting upon their individual responsibility and not through the government. But the germ of the fallacy that a government can be a successful industrial as well as a social organization was not completely eliminated from the minds of the people. They found it difficult to learn the lesson of experience. They did not know how to analyze the cause that produced the unfavorable results. They began the experiment over again by substituting counties and municipalities for the state. They have succeeded—in getting into debt. According to Mr. Mann the municipal debts of Ohio in 1898 amounted to \$85,162,000, and the end is not yet.

How shall a people be classed in the scale of enlightenment who vociferously denounce the money power and at the same time eagerly become its bonded slaves? Is not the imperfection of dishonesty the true cause of this seeming inconsistency? The money power is not the real thing the people denounce. It is profit made by others that they want for themselves. They vote municipal and county bonds to enable them to get the profit of the capitalist and end by finding the interest of the bondholder a burden. They have not learned to distinguish interest from profit and wrongly call all the income of the capitalist profit when very often it is interest only. Interest is a payment for the use of capital. Profit is a creation of energy, skill,

saving care and favoring circumstances. Public ownership fails because it discards the self-interest of those upon whose energy, skill and saving care it is dependent for the creation of a profit. Men will not exert themselves to produce what they cannot own. This is the lesson it is so difficult for those to learn who advocate municipal or national ownership and operation of public service industries.

GROWTH OF SOCIALISM.

The Cleveland World is a warm advocate of governmental ownership of public utilities. We are not aware that it has given any assistance to our work in creating a correctly educated public opinion that will oppose the demand for governmental ownership with a demand for public regulation. Control means regulation, not ownership. Public welfare demands that all owners of public service utilities shall be controlled by a clearly defined system of regulation. Such regulation is required as urgently when a political corporation is the owner, as it is when an industrial corporation is the owner.

The system of regulation, to be just, should be identical for both classes of ownership. The accounting, the specifications of items of costs, the requirement that users should be safeguarded by prices determined on the basis of costs, should be enforced against both classes of owners. In the one case, no political corporation should be permitted to sell an industrial service for less than its true and entire cost. In the other

case, no industrial corporation should be permitted to charge more than cost, plus a reasonable profit for a service. If the method of computing costs is identical in both cases, and industrial management is more effective than political management, the difference in cost will be as great, if not greater, than the addition of a profit to fix price for the industrial corporation. Under this system of regulation the price of services to users, charged by industrial corporations, will be less than the price a political corporation will be able to charge, therefore the welfare of the user will be better served by the private than by the political corporation. Will the editor of the *World* advocate this system of public control—regulation?

When a political corporation owning and operating a public utility sells the industrial services produced by it at less than the true and entire costs of ownership and operation, the taxpayer is obliged to pay the deficit. The exercise of the power of taxation for the purpose of supplying an industrial service to a user at less than cost destroys, to the full amount of the deficit, the right to own private property. The tax confiscates the property, not for the social good of all, but for the good of individual users. Ownership without regulation is a social injustice.

A FORMER GENERATION'S VIEWS OF STATE DEBT AND PUBLIC STOCK OWNING.

"A reform which depends for success upon a material change in human nature has little to recommend it. Practical minds are disposed to judge the future somewhat from the experience of the past." The evidence of past experience is found in the effect it had upon the framing and adoption of the constitution of the state of Ohio in 1851. In this constitution it is provided that the state debt shall never exceed seven hundred and fifty thousand dollars, excepting debts contracted to defend the state in war and to redeem the then outstanding indebtedness of the state. It also provides that the state shall not, nor shall it authorize any county, city, town or township, by vote of its citizens or otherwise, to become a stockholder in any joint stock company, corporation or association whatever; or to raise money for, or loan its credit to, or in aid of, any such company, corporation or association.

A POPULAR FALLACY EXPLODED.

It is an economic axiom that wherever combination is possible competition is impossible. The popular clamor for competing water companies, gas companies, electric lighting companies, railroad companies, telegraph and telephone companies is based on the fallacy that competition in these services is necessary to safeguard public and private welfare against the demands of grinding monopolies. The sagacity of Legislatures

and the wisdom of courts have filled our law books with enactments and ably thought-out opinions designed to preserve for the people the blessings of equal opportunity and free competition, declaring on all occasions that monopolies are odious and against a sound public policy. All popular demand for competing companies, all legislation declaring monopolies shall not be created, every judicial opinion—although according to law—affirming that monopolies shall not be allowed to exist, are the offspring of a fallacy that has been proven a fallacy in every instance where competition has been attempted in these industries. Worse than this, every attempt at competition has caused an unnecessary duplication of plants and investment of capital, tending to create conditions that render the best service at the lowest profitable price to users an impossibility. Baltimore furnishes a striking illustration in the case of its gas works; and now Detroit, that active center for propagating economic fallacies, furnishes an example in the telephone service. When public policy is determined by the teachings of experience, every law permitting competition in public service industries will be wiped off the statute books. In the place of this fallacious legislation there will be laws creating monopolies for all public services and requiring that prices for such services shall be based on true cost plus a reasonable profit on bona fide investments. When this change has taken place the people will secure the best service at the lowest profitable price. This is the low-

est possible price, because no company can operate very long on a price basis that does not produce a profit.

SCIENTIFIC COMPETITION.

When the organization of an industry is developed on scientific lines it will wage relentless war upon all competitors. This will not necessarily involve resort to any practice not recognized in the business world as right and just. The business of production, transportation and exchange cannot escape the inexorable rules of arithmetic. Every transaction must have its basis of cost and its margin of profit. If costs are unintelligently computed, and for this reason a large margin for profit is incorrectly stated, the tendency will be to yield to pressure and accept a price somewhat less than cost, plus the estimated margin for profit. In the course of time a business managed in this way will be in trouble. Computed costs cannot change the facts of costs. Every cent expended, every liability for whatever cause that must at some time be paid, will be taken from the income and the balance will be all there is for profit. If income does not cover costs, there will be no profit. No business can be operated continuously without profit.

The economies that are possible to concentration all tend to reduce costs. If a management is making no mistake in computing its costs it can reduce selling price in exact relation to every reduction it is able to effect in cost and always maintain a safe margin for

its profit. In this process its capital, location, command of resources of supply, its means of receiving orders and advantages for making deliveries, will all be powerful factors. The policy of reducing price, as it reduces cost, will give the benefits of its economies and advantages to its customers. So long as they are the beneficiaries of this policy they will have no reason to complain of the refinements of consolidation and economic management by which it is maintained and developed.

Once entered upon this course, the crushing out of all competition is a logical process, an inevitable result. If an article produced in 100 lots costs 90, and sells for 99, it has a 10 per cent margin for profit. If, when it is produced in 1,000 lots it costs 80 and sells for 88, it still has a 10 per cent margin for profit, but the price 88 will not return cost to producers in 100 lots; they must reach the same level of costs as the producers in 1,000 lots or go out of the business. The next step would be in 10,000 lots, costing 70, selling for 77 with a 10 per cent profit. This will eliminate producers in 1,000 lots from the business. This is scientific competition which no enactment of the Legislature or of Congress can arrest any more than the law of gravitation can be suspended by an edict of man.

COMPETITION MUST GIVE WAY TO MONOPOLY.

The conception that competition in the domain of a natural monopoly is as great an evil as a monopoly in the natural domain of competition is slow moving, but there are many indications that it is about to arrive and become a prominent feature of public policy.

Reliance for safeguarding the general welfare in the domain of natural monopolies must be upon wise and effective governmental regulation. In the domain of competition this reliance must be upon maintaining equality of opportunity and a warfare of interests, each seeking to prevent others from obtaining more than a fair share of products through its endeavors to procure more than a fair share for itself. This amounts to a stimulation of effort resulting in a neutralization of accomplishment.

Recent events are causing a critical examination of the dependence that can safely be placed upon competition as a regulative force in its natural sphere. If it shows signs of failing there, a recognition of its failure in the sphere of natural monopolies is certain. This fact is clearly shown in the writings of one of the ablest economists:

"We cannot have parallel railroads or competing waterworks without a loss, either from increased expense of plant or diminished convenience in service. We cannot, in a great many lines of manufacture, have competition as we had it twenty-five years ago, without disastrous fluctuations in price and the danger of

commercial crises due to irregular investments of capital."—Prof. Arthur T. Hadley.

MUNICIPAL SELF-GOVERNMENT IN OHIO.

Ohio is pointed to by students of municipal government as an illustration of the evil effects of special legislation upon the municipal governments of a state. A reform there, in this regard, will be as conspicuous a reformation as can well be worked out in this country. This work has been undertaken by many earnest and intelligent persons, and influential organizations, chief among which are the members of—and a state organization—the Ohio State Board of Commerce. The work done during the session of the Legislature just closed (1900) has, in the opinion of many best able to judge of its effects, crystallized effort into the definite propositions contained in the substitute for the Municipal Code Commission bill prepared for the Ohio State Board of Commerce, and introduced into the Senate by the Hon. George W. Sieber of Akron. This measure, together with the supplementary bills introduced in the House of Representatives by Representative Fred H. Heywood of Columbus, is meeting with most cordial approval by those who have given it intelligent study in Ohio and elsewhere. Organized educational work will be undertaken on these lines, and the belief is general that these measures will be made laws by the next Legislature of Ohio. This will be a triumph for municipal self-government that will be an epoch-making event in that state, and for the whole country. What-

ever state adopts this system of dealing with local questions, local accounts and public service corporations will find many states to follow its lead. As Ohio has taken the initiative, it is hoped Ohio will be with the first to reach the desired consummation.

MUNICIPAL REFORM IN OHIO.

The Legislature of Ohio, in 1898, authorized and provided for a commission to "prepare a bill for an organization for cities and villages in Ohio, which plan of organization shall be uniform in its operation throughout the state and in which there shall be a separation of legislative and executive powers of the officers of municipal corporations."

The friends of good municipal government throughout the country regarded this as the most important and practical step ever taken in this country to secure needed improvements. They watched with keen interest for the arrival of the day when the work of the commission would be given to the public. So confident were they that the work would be well done and merit the approval of the Legislature, there was hardly a suggestion from any quarter that a failure was possible.

The bill prepared by this commission, as printed for the consideration of the Legislature, covers 768 cap pages, with 30 pages in an explanatory supplement, making 798 pages in all. This statement of its bulk gives sufficient evidence that in its contents there are many provisions not germane to the duties imposed

upon the commission by law. That such a work could not be critically and intelligently examined by a legislative body is self-evident. Its effect was to paralyze effort for a time. The life of the Legislature was nearly spent before any effort was publicly made to get this measure into legislative position to be enacted. When it was finally taken up in the Senate where it originated, it was passed by twenty votes, but the action was reconsidered the evening of the same day and the measure was defeated.

The Ohio State Board of Commerce caused a substitute for the commission bill to be introduced in the Senate and placed upon its passage. This substitute was voted down, but was immediately re-introduced as a new bill by Senator Sieber, and was referred to the judiciary committee. This was done but two days before the close of the session, (1900). Senator Sieber's bill was studied by many senators and representatives. It was acknowledged to be a measure of the highest importance. On the last day of the session Senator Sieber had pledges of a sufficient number of votes to have enacted the measure, but it was thought unwise to enact a measure of such importance during the rush of the closing hours of the Legislature. For this reason the attempt was not made.

The effect of the work done has been to crystalize into definite form the best thought on the subject of municipal organization that has been evolved by many minds from years devoted to the study of the problem of how to improve municipal governments. The pro-

visions of the bill prepared for the Ohio State Board of Commerce are concisely stated, they are few in number and can be easily studied. The introduction of the measure in the State Senate, the vigorous insistence upon its enactment made by Senator Sieber, the address "To the Business Men of Ohio" by the State Board of Commerce and the widespread interest in the subject all conspire in guaranteeing that this measure will be critically and intelligently studied and that the next Legislature will enact a law on this subject that will relieve it from an enormous burden of local legislation and secure to the villages and cities of the state a constitutional form of municipal self-government. So intense is the desire that this shall be done that the suggestion comes from several independent sources that an extra session of the Legislature should be called for this special purpose.

The supplementary bills introduced in the House by Representative Heywood were referred to the committee on municipal affairs, of which he was chairman. During the evening session of the House, on the third day before final adjournment, Mr. Heywood reported No. 865, "To regulate contracts between municipalities and public service corporations," and recommended its enactment. He failed to secure having it made a special order for the next morning by one vote. The pressure, thereafter, to secure the enactment of local measures was so great that this measure was not again called up. It is believed a critical examination of these measures will satisfy the honest and intelligent

minded that they are well calculated to solve the problems with which they deal—that they are economically sound, right and just.

The proposed law for the incorporation of villages and cities and the supplementary bills are now before the public for criticism.

Those who are responsible for these measures have but one purpose to serve and that is the cause of good municipal government.

Senator Geo. W. Sieber of Akron, Ohio, Representative Fred H. Heywood of Columbus, Ohio, the officers of the Ohio State Board of Commerce and Public Policy unite in requesting a free discussion of the propositions here presented. To those who wish to give their views on this subject to the public, the columns of Public Policy are open. We seek the truth by the aid of the light of intelligent criticism. Every flaw detected will be repaired, so that these measures, made as perfect as the intelligence of all workers for municipal home rule can make them, may be enacted into law by the next Legislature, and constitutional municipal self-government be secured for the villages and cities of Ohio, and made an example for all the states of the Republic.

LEGISLATION ON MUNICIPAL AFFAIRS IN IOWA.

If the committee appointed under authority of the Legislature take full advantage of its opportunity to recommend such changes in existing laws relating to the organization and regulation of municipal governments, and do its work wisely, it will do a great good for the state and for the nation. The present condition of municipal government in the United States is one of discontent with the existing order and serious searching for guidance in the work of creating a better form or organization and more efficient regulation. We are informed that all of the members of this committee have had practical experience in legislation. If to this they can add a mastery of their subject which can be gained only by exhaustive study, and the ability to analyze the errors of the past and the remedies proposed for their cure, there is reason to hope that the state of Iowa, and the country as a whole, will not be disappointed in the recommendations they may make to the next Legislature.

We include "the Nation" with those who will watch with serious and earnest interest the work of this committee, because we know there is a class of intelligently patriotic persons in every state who deplore the low efficiency of the governments of their municipal homes, and are eagerly watching every improvement made by any municipality in any state for the purpose of profiting by it whenever the opportunity comes to them.

The recent Legislature of Iowa made some changes

in the system of special assessments. The law now limits the amount of a special assessment for any purpose to twenty-five per cent of the actual value of the property, and provides for a notice to property owners of the levying of the assessment and the right of appeal and trial de novo as in equitable actions.

Under existing Iowa laws no public service franchise can be granted except by a vote of the people, nor can any municipality create and operate a public service utility without such a vote. While it may be desirable to designate "the people" as the authority by which such contracts or undertakings must be approved, it is far more essential that the form of the contract be properly drawn and the scientific regulation of industry be provided for. If this is done, the interests of the people will be properly safeguarded, and the authority by which the contract is approved will be immaterial.

THE COST OF PUBLIC LIGHTING SERVICE.

The city of Baltimore is dissatisfied with the existing conditions under which it is obtaining its public lighting supply and is studying, as many other cities have done, ways and means of securing improved conditions. In this behalf it has appointed a municipal lighting commission, composed of three persons—Prof. Jacob H. Hollander, Charles E. Phelps, Jr. and Edwin G. Baetjer—charged with the duty of studying the whole subject and recommending to the city a wise course of action. This committee has made a prelim-

inary report (1900). The report of the commission on this subject is a remarkable mixture of sound and unsound views. It is a good illustration of the effect of preconceived ideas supplemented with an inadequate grasp of the subject and a lack of power to follow a proposition to its logical conclusion. This subject is discussed under four headings. To make our criticism clear we will follow the text of the report in its order of presentation.

FIRST—COMPETITION.

The city of Baltimore has been a favorite field for the exploiting of competing companies. Millions of dollars have been sunk in that city in the vain attempt to reduce prices to consumers and destroy monopolies by the illogical expedient of granting franchises to competing companies and permitting the streets to be burdened with several systems for supplying the same service. A more notable example of the persistency with which economic law will govern problems of supply and demand cannot be found than is furnished by the experience of Baltimore. This experience affirms the law: "Competition cannot be maintained where combination is possible." This fact was pointed out years ago, but councils, legislatures and courts continue their attempts to overthrow the natural law by granting competing franchises and declaring monopolies odious. It is exceedingly satisfactory to find this commission saying:

"The commission is strongly of the opinion that open competition in service of the character rendered by the

two companies mentioned (gas and electric lighting), can eventually have no other effect than to increase the price. This is the uniform experience of every city; a temporary reduction may be made, to be certainly followed by a consolidation and an increase in the price to compensate for capital uselessly invested and money lost in the brief period of competition.

"Of all possible solutions of the municipal lighting problems, unrestricted competition is the least available."

SECOND—CONTRACTS FOR A REASONABLE PERIOD WITH
EXISTING COMPANIES.

Short-term contracts is one of the favorite methods devised by legislators to prove to their constituencies their watchful devotion to public interest, and that they do not wear the collar of any corporation. A more improvident method cannot be adopted. The fallacy of making short-term contracts, and of granting competing franchises was thoroughly written up years ago. The public mind and corporation managers are so prone to follow in the rut of precedent, in dealing with these subjects, neither party can be said to have properly informed themselves to deal with these questions intelligently. The commission states an obvious truth when it says under this heading:

"The short-term of the contracts with the Consolidated Gas Company, the Welsbach Company and the United Electric Light and Power Company make the rates higher than could probably be obtained from any

of the companies if contracts for any reasonable length of time were entered into for the service."

THIRD—REDUCTION OF PRICE BY LEGISLATION.

Competition having been found ineffective and short-term contracts having been declared improvident, the next method considered of controlling the cost (price) of service is that of legislative regulation. The commission makes a telling argument against the fallacy of relying upon the power of legislature to do justice in dealing with problems of this kind. It says:

"Questions of this character the Legislature, both on account of its organization and the limited time at its disposal, is not qualified to determine with justice either to the public or to the companies involved."

If the public and corporation managers could be induced to study what was written several years ago on this subject better progress might have been made towards reaching a satisfactory conclusion. The commission points out the fact that the Legislature has ample "power to regulate the price charged for lighting, both public and private, and to reduce the cost if unreasonable." "The only limitation on the power of fixing rates of services of this character is that the rate fixed must be sufficient to enable the company to earn its operating expenses and a reasonable rate of profit. The reasonableness of the profit is to be determined with reference to the value of the company's plant, exclusive of any franchise value. Its capitalization, whether in bonds or stocks, is for this

purpose immaterial; nor is it material whether the rate fixed prevents the earning of interest on its bonded debt or capital stock. If the rate fixed allows a reasonable profit on the present value or cost of reproducing the company's plant, it is within the power of the Legislature. No decision has fixed the rate or percentage of profit on the value; one decision has suggested that a rate allowing four per cent would not be interfered with, but the rate would depend on the hazard of the business, and ought to be a rate sufficient to attract capital to a new enterprise formed for that purpose."

After making this statement of the power of the Legislature and the attitude of the courts, the commission proceeds to say that attempts at regulation by legislation "are usually ineffectual." The reason for this is found in the fact that "the books and affairs of the company are private, not open to public inspection and supervision; the information necessary to enable the Legislature to judge of the fairness of the rate charged can be obtained even from the company's own records only by experts and after very considerable study and investigation."

This is the cause of the failure to establish effective regulation. The system under which public service corporations are doing business is false. It is false because enacted laws make it so. Legislation is unintelligent because those whose interests are involved have not studied the problem sufficiently to clearly see in what way their permanent interests might be best

served. The promoter and speculator do not desire the establishment of a system that removes public service undertakings from the list of their opportunities. They know they have to reckon with the power of the Legislature, but they have found it more suitable to their purposes to keep that power blind than to have it intelligent. They have given their time and money to devising schemes for obtaining and exploiting franchises which they could capitalize on the basis of earning capacity until they have succeeded in creating a condition of affairs against which there are unmistakable evidences of a revolt. Impelled by an incorrectly educated public opinion, this blind power, which has been used to serve the ends of speculators, is preparing to strike down the abuses that have been propagated and fostered by those that have misguided it. If the destruction its blows are sure to cause is to be averted, the correct education of the public must not be longer delayed. The people are honest-minded. They mean to be reasonable. They expect corporations to make a reasonable profit on a bona fide investment. That they may so deal with corporations, however, it is absolutely necessary for them to know that the profit is calculated on the basis of a true statement of costs and that the investment upon which they pay the profit is bona fide. In the absence of any way of determining these points that satisfies their judgment as being right and just, they will take the business into their own hands as the only way in which they can eliminate the evils and the abuses of which they feel themselves to

be the victims. This spirit and determination is clearly shown by the commission in its consideration of the only remaining method of reducing the cost of public lighting service.

FOURTH—THE ESTABLISHMENT OF A MUNICIPAL PLANT.

Without expressing an opinion as to the advisability of establishing a municipal electric lighting plant, the commission advised, and drafted a bill for the purpose, that the city apply to the Legislature for authority to issue bonds amounting to one million, three hundred and fifty thousand dollars to be so used if wanted. The object of securing this enabling legislation is stated as follows:

“By this means the city will not only be put in a position to proceed without endless delay if municipal construction be deemed expedient, but will distinctly improve its strategic position in negotiations for cheaper service with the present lighting companies.”

In further explanation of its attitude the commission had previously stated that:

“The lighting service is an absolute necessity in the city, and can be obtained only from companies enjoying an absolute monopoly in their respective business. The city, although alone concerned with the character of the service and the price charged, is (except by application to the Legislature) without power to obtain a change in price or service, or to ascertain accurately whether these are proper or otherwise. In

this situation the mere present ability to provide a (municipal) lighting plant would be a material protection."

Here we have an important conclusion. Failure of competition points unerringly to the advisability of recognizing the business as a monopoly. Improvident short-term contracts indicate the economy of a continuous contract. Ineffective regulation by unintelligent legislation demands intelligent regulation based on a complete knowledge of all essential data. This means a change in the laws; it does not require authority to establish a municipal plant as "a material protection."

The only method by which Baltimore or any other city can obtain the best public service at the lowest cost is not mentioned by the commission and is, therefore, presumably to it, unknown. It would have been discovered if the commission had had adequate grasp of its subject and the power to follow a proposition to its logical conclusion.

It will be time well spent for everyone interested in this question, whether as one of the people, or interested as a corporation manager or investor, to study the discussion of the principles involved contained in "The Law of Incorporated Companies Operating Under Municipal Franchises," and in "Municipal Service Industries." After reading these discussions the proposed law to regulate contracts between municipalities and public service corporations which was before the last session of the Ohio Legislature (1900) will

be clearly understood. It will be found to be a true solution of this problem.

POWER TO CONTRACT BETTER THAN TO OWN AND
OPERATE.

The power to make a contract on the terms contained in the bill above referred to is better than the power to own and operate. By this means all the benefits of a monopoly can be gained with immunity from its evils. All advantages of long-term contracts can be obtained, with a divisible share of the profits derived from improvements in the arts, growth of population and other favoring economic conditions, occurring during the period for which prices are fixed.

In making a contract of this kind the valuation of plants should be arrived at in the same way it would be if the city were to buy them at private sale, or should secure them under proceedings as regulated by law for acquiring private property for public use. This adjustment once made will settle for all time the vexatious questions of competition, short-term contract, fiat prices fixed by legislation, watered stocks and bonds, taxation, and municipal ownership.

Under the contract indicated prices to public and private consumers will be as low as they can be made under public or private ownership or operation. A private corporation cannot be compelled to render a service at a price less than cost plus a reasonable profit. The service cannot be produced by municipal ownership and operation at a figure less than a price so determined.

HOW MANY AGREE WITH MR. MILLER?

Not all advocates of municipal ownership have the frankness to express, if they hold them, the advanced views given by Mr. M. M. Miller of Eaton, Ohio., in the following letter:

"Dear Mr. Foote:—I must inform you that your assumption of my sympathy with your amendment to the Municipal Code bill is unfounded. I hope some day to see municipal service rendered free to all citizens, the cost therefor being taken from the enhanced land values caused by such public benefit. To be logical, you should charge the cost of public education in tuition fees.

"If you were owner of an office building would you charge a fee to users of the elevator service sufficient to cover its cost, or make no charge and pay for the improvement out of enhanced rentals? The people of our cities own their streets as truly as do the owners of office buildings the elevator shafts, and have an equal right to run free transportation through the same. When we get as far advanced in public business as we now are in private, we shall do so, to the elimination of elaborate and expensive systems of regulation, accountancy, etc., which your amendment is designed to perpetuate.

Yours very sincerely,

(Signed)

"M. M. MILLER."

A MEASURE TO DESTROY THE OWNERSHIP OF PRIVATE PROPERTY.

We have labored many years to cause the people to understand that the logical conclusion of the doctrine of municipal ownership is the destruction of the right to own private property. Mr. Miller has now placed the subject in a light that ought to cause property owners to understand that the question of municipal ownership is not, as they have superficially supposed, an attack upon public service corporations, which they have been predisposed to sympathize with, but is in reality an attack upon the right to own private property.

The measure drafted by the Municipal Code Commission of Ohio provided that municipalities should have power to own and operate:

1. Garbage plants.
2. Waterworks.
3. Gasworks.
4. Electric lighting plants.
5. Street railroad systems.
6. Telephone systems.

It contained no requirement that the prices to be charged private or other users of these services should be regulated by any clearly stated principle. Instead of providing protection for taxpayers against deficits caused by the municipal ownership and operation of these industries, it did the reverse. It placed a premium on creating such deficits by providing that in

the case of any of these undertakings, whenever the income from them was not sufficient fully to pay all costs of ownership and operation, the amount of the annual deficit should be provided for in the tax levy. In this respect a more dangerous measure to the property rights of municipal taxpayers than the code drafted by the Ohio commission has never been written.

It is clear that there would be no deficits if the system of accounting, which should be prescribed and audited by the state, fully determined the entire and true costs of ownership and operation, and municipal authorities were required to charge prices for all services rendered to private and other users calculated to produce sufficient income to pay such cost.

We hope the owners of municipal property in the state of Ohio will give this subject the attention its importance to their interests demands. We want to know how many of them wish the municipality in which they own property to own and operate these industries, furnish the services at less than cost, or free, as Mr. Miller would have them do, and provide for the deficit by a tax levy?

The columns of Public Policy are open to those who wish to discuss this question. We wish to hear from those who agree with and those who disagree with Mr. Miller. There must be many on both sides.

IS THE GOVERNMENT RESPONSIBLE?

It is natural for owners to insist upon protection for the right to own property in whatever way that right may be attacked. It is necessary, in considering the many ways in which such defense is called for distinctly to understand what power the right to own property really gives to the property owner. If carefully analyzed, it will be found that the right of ownership is simply a right to possess; it has nothing to do with the value of the possession. Value may be enhanced or diminished by causes over which the government has no control, and without disturbing in the least degree the right to possess. This fact must be understood much more clearly than it has been, in order that owners may safeguard themselves more effectively than they have done in the past, against some of the causes which tend to destroy the value of their property without disturbing its ownership.

Causes of the shifting of desirable business or residential centers in all cities afford an interesting and instructive study. The effect of changing conditions on values can be shown by diagrams, the curved lines of which will resemble waves of higher and lower values sweeping over certain areas without the slightest power of a single owner, individually, to do much to retard or add to their momentum. The causes of these waves are found in the gathering force of a multitude of tendencies and movement near and remote, that work out their effect through a series of years. Many times they are so intangible, it is doubtful if

those most directly affected by them could agree upon, or even name, all or the most potent of them. The tendencies are seldom noticed until they produce a result, and then the result is often mistaken for the cause. This is very apt to be the case when the result is seen in an act of the government.

Under authority of the well-established principle that private property shall not be taken for public use without just compensation, claims are frequently made for the value of property destroyed, and sometimes when possession has not been disturbed. A case in point:

Mr. John C. De Laney erected buildings and made improvements (1899) to accommodate his business as "post trader" at Fort Stanton, N. M. After making an investment valued at \$20,000, the government established post canteens. This took the trade away from Mr. De Laney. As his buildings and improvements were so located as to be useless for any other business, their value was destroyed, but possession was not disturbed. A bill was introduced in Congress to authorize the secretary of the treasury to pay Mr. De Laney \$20,000 on account of the loss he has sustained through the action of the government in taking away the business it had first authorized him to do and encouraged him to provide a necessary equipment for doing. The cause of this change was the tendency to reform in such matters. The action of the government was the result of the tendency.

This case has been paralleled many times by municipi-

palities that have authorized persons or corporations to supply a water or lighting service to the city and its inhabitants and encouraged them to provide the necessary works for rendering the service. After these investments have been made, the city has decided to go into the business on public account and has done so, thereby destroying the value of the property of the private corporation without disturbing possession. Some states have safeguarded private property from destruction in this way by requiring cities to buy existing works whenever they decide to go into a business being done by a public service corporation. This is simple justice and good practice and should be the requirement in all states. Where it is not done a claim for damages should be brought under the common law.

WHAT DOES THE TERM "REASONABLE PROFIT" MEAN?

This question of vital importance is asked by Mr. H. P. Boyden, city auditor of Cincinnati. That our readers may have the benefit of reasons, or observations, for asking the question, we quote the full text of his letter:

"Public Policy, Volume II, No. 21, for May 26, 1900, was duly received. I have read it with care and attention, and I write as to several articles.

"1. Page 326—'Electric Lighting in Baltimore'—in which you say on page 327, last paragraph: 'A private corporation cannot be compelled to render a

service at a price less than cost plus a reasonable profit.'

"2. Page 329—last sentence but one in the article on 'Earning Power and Taxation'—'render service at cost plus a reasonable profit on actual investment.'

"3. Page 331—last sentence but one in the article on 'The Cost of Public Lighting Service'—'A private corporation cannot be compelled to render a service at a price less than cost plus a reasonable profit.'

"4. Page 336, from the last paragraph of Mr. Higgins' paper I quote the words 'reasonable treatment of corporations.'

"In all these quotations is the word 'reasonable.' What is the meaning of this word as applied to profit? If you use the word in connection with an interest rate on municipal bonds, it should be susceptible of definition within narrow limits. You are using it, however, in connection with what may be called public utilities. Is the 'reasonable rate' that applies to the operation of services connected with municipal work the same—or not the same—as that which might obtain in respect to ordinary manufacturing?

"Let me go on from the abstract to the concrete:

"Take an ordinary manufacturing enterprise, and such an enterprise thinks that it ought to receive 10 per cent annually on its invested capital. Whether this demand is more than should be allowed in these days I do not presume to say. Probably most of the manufacturing companies are making much more than this. Now, over against this manufacturing enterprise that

asks no special privileges from a city, place a gas company which supplies a city with light. This, too, is in a way a manufacturing company. It manufactures gas or electricity and supplies a municipality with its product. It is given an exclusive contract with a city for a longer or shorter time, and has the exclusive use of the streets. What is the 'reasonable profit' that such a company should be allowed to make? Is it the same as a company should be allowed which does not seek for any special privileges from the city, or which does not contract with the city?

"It seems to me that corporations that have to do with municipalities have in a way a guarantee that is as good as a municipal bond, to the extent the municipality uses the product of such corporation. It seems to me that when a gas company, for example, is granted a monopoly of light in a city, it is a contract which, for the time such contract runs, is as good, so far as the city is concerned, as a municipal bond running the same length of time. I cannot, therefore, conceive that the words of the various articles to which I have referred are conclusive. They are not susceptible of definition. One court might hold that a reasonable profit was 10 per cent per annum, and another that 4 per cent was enough. At least so it seems to me.

"Is a gas company, a street railroad company, a water company—and in a way each of these is a manufacturing company—entitled to the same dividend as, say, a shoe company, a stove company or an ice company? Or, in another way, what do the words 'rea-

sonable profit'—as applied to quasi-public corporations—mean?"

REASONABLE PROFIT NOT SUSCEPTIBLE OF EXACT
DEFINITION.

The points raised by Auditor Boyden cannot fail to arrest the attention of every person who is intelligently interested in the management of public service corporations or in the general welfare. It is a fact, as Mr. Boyden has pointed out, that there is no legal standard by which "a reasonable profit" can be determined in any given case. The laws and the knowledge of sound economics, which must guide the decisions of all courts, are not, and cannot be, identical. If the basis of the opinion of courts is variable, so will be their decisions. No law, nor the decision of any court has established a standard by which a reasonable profit can be determined. Notwithstanding this, we use the term "reasonable profit" with exact meaning. We made an attempt to have our definition established in the statutes of Ohio during the last session of the Legislature of that state (1900).

We urge every person who is interested in this question—every person who has an investment in a public service corporation, or who as a user of the services rendered by it, has a direct personal interest in it—carefully to study the six bills that were introduced in the Ohio Legislature at our suggestion. We cannot in this article give our reasons for the conditions contained in these measures. Every person who desires

to be fully informed on this subject should read our discussion of the economic principles involved in "The Law of Incorporated Companies Operating Under Municipal Franchises" (Robert Clarke Company, Cincinnati), "Municipal Public Service Industries" (Public Policy Publishing Company, Chicago), and the discussions that have been published from time to time in Public Policy. Until every person who is interested in, or who undertakes to discuss this subject, has read the literature now obtainable, in which it is treated at length, he will not have done his duty to himself, or to those he represents or seeks to influence. Public service corporations and users of the services they sell have suffered severely because no legal standard for determining a reasonable profit has been established. They will continue to suffer until such a standard has been established.

We intend to answer Mr. Boyden's points in full detail. We earnestly invite others who are giving serious thought to this subject to furnish their views upon it for publication. Anyone's position that cannot be maintained in the light of a free discussion should be abandoned.

MASTERS OF LIBERTY.

If every person had the wisdom necessary to be a master of liberty there would be no need of law. One manifestation of growth in intelligence is seen in the widespread tendency to regulate by law numberless activities that a quarter of a century ago were not thought to require such interference on the part of the state. In one view this tendency seems reactionary. In fact, however, it is progressive. Its motive is not to repress but to render more efficient the activities with which it deals.

In order that the standard may be raised the learning of the past must be ever challenged by the research and experience of the present. Protest is against legislation that builds a barrier to protect the ignorance of the past against competition from the intelligence of the present. Every advance in intelligence draws a line beyond which the knowledge of the past is powerless to reach. In the practice of medicine, the tendency is probably more marked than in any other vocation, for those who have only the knowledge of the past to attempt to keep themselves in the position of recognized leaders by every repressive means they can command to hold in check younger votaries of their science.

A true function of the state is to prevent fraud by the publication of facts. Every power is beneficent or hurtful in exact relation to the wisdom or the ignorance with which it is used. If we were to abolish every office that has been filled by dishonest or incompet-

petent persons, organized government would be instantly destroyed. Human welfare is served, not by narrowing the scope of regulation by law, but by making it certain that those who are entrusted with power to administer the law shall be true masters of liberty, not only capable of an honest and intelligent government of themselves, but of the higher degree of perfection, capable of wisely governing those over whom they may exercise authority.

THE WAY TO GET A LAW ENACTED—IF YOU WANT IT ASK FOR IT.

Do you know why it is difficult for the people to secure legislation that is for the good of every man, woman and child in the whole country? It is simply because it is impossible to get every man and woman—we will omit the children—to say they want it. You are not inert. It is your neighbor who needs to be warmed into life. It is no trouble for you to write a letter to say you want a measure enacted to protect your health and prolong your life. You know how much more you value your health and life than you do that much effort plus the cost of paper and a postage stamp. It is your neighbor who needs to be made to realize the bargain there is in getting the United States government to protect his health and life, for the cost of a letter from him saying he wants it done. To think any person should have to be asked to do this seems foolish, and quite absurd to suppose anyone will have to be asked twice. Of course you won't. Just ask

fifteen or twenty persons to write such a letter, and then after a few days ask them if they have done it. A little experience of this kind will teach you why it is so difficult for the people to secure legislation that is for the good of the masses. Whenever a few want a measure enacted everyone of that few works for it, night and day, until they get it. When a measure is wanted for the people, the people simply won't say that they want it. How long do you think it would take to make a law out of any bill if all of the people should write a letter to Hon ———, M. C., saying they want the bill enacted into law? We hope the people will try to find out by writing the letter. That is the only way they will ever really know. You write your letter, then get ten others to write one, and get each of the ten to get ten others to do it, and have every one of them get ten more, and so on, to the end of the endless chain. Do this and any measure will be made a law before one-tenth of the people have been heard from.

LAWMAKING BY STATE LEGISLATION.

The states of Massachusetts, New York, New Jersey, Maryland, Ohio and Iowa, since the first of January, 1900, have made an exhibit of the ability of representatives to manufacture laws when convened in a legislative assembly. These states are among the most conservative, intelligent and law-obeying commonwealths of the Union. They have the largest industrial, mercantile and financial interests, the greatest

army of works, the highest degree of thrift shown by saving deposits, to be found in this country. The records of their enactments must be accepted as showing the degree of progress attained in the science and art of government by a representative system based on manhood suffrage. An examination of the session laws of these legislatures, and they do not differ from those of other legislatures—will quickly show one of the faults of defective public opinion, the most serious weakness in our form of government. The story these laws tell is one of the narrowing, belittling influence upon the representative, of the narrow views of the constituents of his public duties. In theory he is their servant. This theory is all right, but the kind of service demanded makes a fatal difference with the efficiency of the representative and the grade of ability of those who will consent to be representatives. If the narrow views of constituents permit them to feel they have a perfect right to call upon their representatives to secure for them, individually, all sorts of personal favors; to use their time in seeking public positions for men of influence in the party organization; to draw and work for the enactment of measures having only local importance, the inevitable result must be representatives capable of only small things, or, to keep men capable of great things constantly occupied with small things, so that it is impossible for them to accomplish any really great work.

Fortunate indeed will be that representative in a municipal council, a state legislature, or in the Con-

gress, the attitude of whose constituents is that of expecting him to study the welfare of all the people of city, state or nation and to do only those things which in his judgment are right and just, and essential to the general welfare. If public opinion was educated to this point of excellence the work of the same men now elected as representatives would be as far superior to what it now is as the ideal state of public opinion necessary to produce the result would be superior to that which actually exists.

The answer to those who think the work of legislatures inferior is, that it is true representative work. It is as good as the people demand or will permit. When a representative is certain that his constituents will value him on the basis of the importance of his work to the welfare of all the people, he will give his time and ability to the mastery of such questions. No man should be sent to a state legislature to legislate on local questions. When the science of government is better understood it will be seen that there are no questions that are peculiar to any individual or locality. So-called local questions exist only because the sovereign state is occupying the position of assuming that the people are not fitted for self-government, therefore it cannot delegate to them power to deal with their local wants in their own way. To-day two or three members in a legislature have more power over municipal affairs than the members of the city council. Because of this power they are besieged with all manner of demands, having no interest whatever to the

people of the state and are prevented from doing any genuine work of general importance to the state. The result is there are very few laws of general or great importance and thousands of local bills.

REGULATION BY LAW.

Close students of the effects of enacted laws upon general and individual welfare would quickly abandon all hope of securing efficient regulation of trusts and monopolies by legislation and public administration were they obliged to sustain their contention by reference to existing legislation or accomplished results. When the people cry out against evils and demand a remedy for them at the hands of their chosen representatives they should ask themselves how they have equipped those representatives for the work they are required to do. If they are true representatives and men of ability, as most of them undoubtedly are, they know that laws, in themselves absolutely just and purely for the public good but not sustained by a sufficiently developed public opinion, are not, and cannot be, properly enforced in any community. Therefore, such laws, embodying the highest wisdom in themselves, are, for practical purposes, unwise. To illustrate, reference may be made to legislation for the suppression of the liquor traffic, gambling and the social evil. The people must learn that the most effective equipment for a legislature is not in the personal qualifications of its members, important as that may be, but

in a well defined and stable public opinion regarding questions of public policy upon which the Legislature is required to act.

Those who interest themselves in discussing questions of public policy must learn to appreciate the many-sidedness of all such questions. They must see that there are many points of view other than their own and must realize that opinions reach the Legislature from all points of view. The public opinion that guides the action of a legislature is not, cannot be, ought not to be, the opinion of themselves, their set, or their class. The mistakes of legislatures are made when they enact laws demanded by a few, prominent and influential though they may be in social or business life. Such laws are special legislation, no matter at what evil they are aimed, what good they are designed to promote.

The vote of a representative of the people in a legislative body is always controlled by his estimate of the condition of public opinion upon that particular question. The lobbyist of some special interest may have coached him, cajoled him, bribed him, but the success of the lobbyist, no matter what arguments, inducements or arts he may use, is absolutely dependent upon the state of public opinion. The enactment of corrupt and vicious measures is made possible only by an insufficiently developed public opinion.

In no legislature, nor in the national Congress, is there a sufficient number of corruptible members, though everyone of them should give it support, to

enact a measure if it should fail to receive the support of those who judge the state of public opinion to be such that the people will not denounce it in effective terms. When representatives become convinced that their vote for or against a certain measure will be sure to cause their constituents to repudiate them ever afterward, for any position of political preferment, there is not money enough in the country to purchase its enactment. It is possible to bribe representatives only when they think their constituents are not sufficiently well informed or alert to enable them to detect the injustice perpetrated by the measure. The great corrective force that must be depended upon for the final and correct regulation of trusts and monopolies by legislation and administration is the undeveloped force of public opinion.

THE RIGHT TO HOLD WHAT HAS BEEN LEGALLY ACQUIRED.

The dictum of the courts that the right to hold what has been legally acquired cannot be questioned may be correct in law, but it is not necessarily correct in morals, because enacted law does not always conform with the requirements of justice. In some transactions men appear to think if they can acquire advantages under cover of the law that they can hold such advantages in perpetuity. They lose sight of the fact that enacted law is but an expression of public opinion, and that when the opinion which enacted the law or maintains its results changes, they must reckon with a force

superior to the law, and can only hold what they have acquired by the consent of that opinion. Without any evil design on either side of the problem, it is entirely possible for men to find themselves in a position which requires them to defend their possessions acquired in a perfectly legal and honest way at one stage of development from the results of a more enlightened public opinion touching the subject. This is very likely to occur in the management of properties deriving value from public service franchises. If public opinion becomes convinced that the conditions created by past legislation are unjust, the effort to right the wrong will be persistent. The resistance of interested corporations may prolong the struggle; it cannot successfully defeat the purpose of the people. The people are generous by instinct. They will deal generously with those who appeal to their sense of justice and sincerely co-operate with them in seeking a rearrangement of conditions that will be equally just to the people and corporations, but they will not consent to being made helpless victims of an unjust policy, even though they find it necessary to destroy the obstruction, root and branch. Those managers are wise who meet the people half way in their demands for a modification of conditions and make friends instead of antagonists out of those who interest themselves in public affairs from the people's point of view.

There is a lesson of serious import to be learned by corporation managers in the dictum of Mencius, one of the ancient sages of China, quoted by the ambassador

from that empire: "A king can conquer a world by brute force, but he cannot keep it without justice and righteousness." Franchise rights may have been legally acquired, and with the glad consent of the people, under conditions that did not enable the people to know their value or how the public interest should be guarded. To attempt to hold such rights by legal tenure when the people believe them to be unjust is like a king trying to hold a conquered world by brute force. It cannot be done. It is wiser to listen to the dictum of a true philosophy than to the courts, whose opinions can be changed by an act of the Legislature.

CORPORATIONS FURNISHING POWDER TO THE ENEMY.

It has often been said that there are no politics in business, but when organizations formed for the purpose of conducting business operations become the objects of political contests, business men will be obliged to enter politics to defend their interests and guide the resulting action to sound conclusions. Here, as has been proven in thousands of ways in human experience, both small and great, an ounce of prevention is worth a pound of cure. The causes of the discontent and apprehension felt on the part of many on account of the organization of industries into vast corporations is found in legislation devised to gain advantages, or to hold those already gained, regardless of the principles involved. It is reasonable to expect that much fuel will be added to the growing spirit of

antagonism between the people and corporations by the injudicious, if not dishonest, use of power by those intrusted with the management of great industrial organizations. The avidity with which "the party of discontent" will seize upon every such circumstance has often been illustrated. It is hoped that corporation managers, officers and investors will realize that the forcing of their business methods into politics is the result of the conduct of their own class, and that, if injury comes from this contest, it will be a punishment inflicted with powder furnished to the enemy by men for whose business management they are more or less responsible.

It is easy to say that none of these things are the necessary results of large organizations and aggregations of capital. It can be shown that they have resulted in but a few out of many such organizations. It can be contended that the same results are equally and even more possible, as far as industries are organized, owned and operated by one person. These results are not a special product of organization, but of unprincipled management by those at the head of business affairs, whether it be an individual enterprise, a simple co-partnership or a great stock company. All this may be said in truthful earnestness. But many mills have been closed, the families of thousands of workingmen robbed of their weekly income, enterprises held in check that might have employed thousands of others, the profits of many contractors and manufacturers jeopardized, by marking up prices of material

without a reason in increased cost of production, and the market value of a long list of industrial securities affected by these movements made purely for stock-jobbing purposes. These tragic facts will affect the judgment of thousands who will never hear the arguments of those who want to conduct an honest business and know that honest organizations, honestly managed, are the most efficient agencies for promoting the true welfare of all classes of the people. Corporation men must find some way of preventing members of their own class from furnishing powder to the enemy.

COMMERCIALISM IN POLITICS.

Commercialism is the vocation of those who study every problem with the purpose of finding in what way it can be made to yield personal gains. Patriotism is the inspiration of those who espouse the cause of all the people and study every problem with the single purpose of finding in what way it can be made best to serve the general welfare. It is not strange that men who have devoted every thought and all the energy of their lives to the task of money making, when intrusted with public duties as representatives to legislate, or as agents to execute the laws, should be unable to divest themselves of their well-settled habit of studying and using every position in which they find themselves to see in what ways they can make it contribute to their private gains. It is reasonable to expect to find a man of this stamp in every legislative or executive group. They are aggressive, energetic,

successful men, just the kind of men to take leadership in whatever direction they are pleased to go. When they get into politics they carry their business habits with them and manipulate party organizations as they would any organization of industry or capital, with the view of making it contribute the greatest possible benefit to their personal advantage in prestige, power or wealth. When such men are associated with others, equally capable, but purely patriotic, their practical, common sense in discussing every proposition in its business aspect is exceedingly helpful to the sound development and management of public business. But when they are the dominating power, the patriotic motive is subordinated and the whole machinery of government, legislative and executive, is prostituted to the purposes of commercialism. This is a real menace to the perpetuity of democratic governments.

Speaking on this subject, the controller of New York is reported recently to have said:

"The real danger to American institutions is the vast commercialism that has been developed by politicians and political organizations. The spirit of commercialism of the political leaders of the Democratic party in this county (New York) is only exceeded by that of the Republican state and national machines. We have too much intricate government. What is needed is simplicity and publicity in all affairs relating to the people."—New York Herald, May 18, 1900.

The commercial effect of this commercialism is viv-

idly shown in an article by Mr. Coler under the title of "The Most Expensive City in the World." If it were possible for the taxpayers of New York City to separate the necessary from the unnecessary expenses of city government which they pay, the ascertained difference would show the cost of commercialism in excess of the cost of patriotism. The successful government of a great city has never been accomplished by a democracy, for the simple reason that the service of city is not respected as a patriotic duty and wins for no one the prestige of patriotic honor; while the advantages of commercialism make a powerful appeal to a majority of voters and the gains publicly and privately received are great enough to attract the most sagacious, unscrupulous and greedy men in the community. A more telling object lesson could not be devised than a statistical statement that would correctly show the entire income from all sources of this class of men from the time they entered public service to the date of publication. A report, placed in the hands of every citizen, that would show for every employe and official drawing money from the city treasury just what work was done for the money paid, and all other income due to his public employment, would be a publicity that would induce the simplicity Controller Coler declares is so much needed.

Controller Color and many others are now actively engaged in devising ways and means for securing publicity from industrial organizations they call "trusts." May we not say that publicity, like charity, should

begin at home? What right have the people to expect that commercial politicians will devise a correct system of publicity for the business of great corporations over whose accounts they can have no actual control when they do not devise such a system for the business of the cities, the accounts of which are under their control?

For many years we have tried to cause the people to understand the fundamental importance of a correct system of public accounting and independent auditing. There are evidences that this work is beginning to bear fruit. The demand for a uniform system of public accounting that shall apply to all the accounts of a state and of every subordinate government within the state has taken root and is gathering force. We believe within two years some state will have such a system. From whatever state it is first established it is sure to spread until the accounting of every state will be reformed on such a basis. This will be the beginning of the end of commercialism in politics.

THE MOTIVE FORCE OF ENTERPRISE.

The principles of moral and economic laws exist by virtue of an ordination to which enacted laws can conform, but cannot supersede. They are of universal applicability. Like the rules of mathematics, they operate in the same way in all climates, in all languages, in all ages. Step by step, as men become intelligent, they understand and apply these rules in conduct. Development toward a condition of higher intelligence is always in the direction of uniformity in conduct.

The first effect of freedom is to cause all who have pronounced opinions on any subject, when the opportunity comes to them, to make strenuous efforts to demonstrate by experience that they are right. They cannot do this without taking the risk of having the experience to which they appeal prove them wrong. Willingness to take the risk of loss, induced by the right to grasp the expected profit, develops in industry and in government the motive force of enterprise. This is the source of the energy that compels achievements to overleap the boundaries of progress in such rapid succession as not to allow the perfected machinery of one decade to become worn out by use before it is thrown aside to make room for newer devices of greater efficiency. The unequal development so noticeable between industrial and governmental organizations is entirely due to the freedom and inducements for individual initiative in the one case and its re-

pression in the other. The economic development of the American republic has never been equaled by any other nation. When municipal governments have full right of initiative, with private corporations on identical terms of self-government, the ceaseless effort to win happiness through securing immunity from evil will be many times more vigorous than now. Under these conditions "the government of the people, by the people" will become the most scientific government known.

Diversity will always exist, but the tendency will always be toward uniformity, just as the pressure of competition in economic development tends with resistless force to the elimination of competition by consolidation. In political and in industrial organization the law of progress compels a careful study of the records of experience and the adoption, from time to time, as occasion may offer, of any law or method found to be more advantageous than those in use. This process would in time eliminate all diversity were it not for the appearance of new features as fast as old ones are assimilated. There will always be diversity sustained on an ever broadening foundation of uniformity.

"In the various subdivisions of the general field of public accounting, pioneer work must be done, owing to the absence of any general appreciation of the close relation between systematic public accounting, on the one hand, and administrative efficiency on the other.

An advantage incident to uniformity in financial re-

ports is the possibility thus offered of furnishing every city with the results of the experience of sister municipalities. An accurate record of the financial operations of the cities of a state cannot help furnishing valuable lessons, both positive and negative, provided absolute trustworthiness of returns can be depended upon."—Prof. L. S. Rowe.

PHENOMENAL INDUSTRIAL DEVELOPMENT.

Two incidents have recently occurred which give cause for a pause and a backward look, to note the rate of progress at which the industrial world is traveling.

Solomon Roosevelt died in Ashley, Ohio, Sunday, February 18, 1900, aged nearly 93 years. He helped to build the first steamer that crossed the Atlantic. On the same day Patrick Clifford died in Columbus, Ohio, past the age of 86. He helped to build the first railroad that entered Columbus.

On the day of the birth of these men the industrial world had no steam power for driving machinery, steamships or railroad locomotives. It had no means of electrical communication by telegraph or telephone. It had no knowledge of the uses of electricity for light, heat and power. The mind is incapable of correctly conceiving into what kind of a world they were born. No one can imagine what changes would be wrought in present-day conditions if all knowledge of steam

and electricity, all the results of their uses, were taken out of the world.

This great progress is due to the freedom of individual initiative in a world-wide and ceaseless competition for economic advantage in production and exchange. It is due to freedom in voluntary combinations of persons and property for the development and utilization of every new discovery or invention that gave promise of being an improvement over old methods, bringing an economic gain. No person, no corporation, no nation, has been powerful enough to resist the onward movements of progress and maintain its relative position of importance in its community, its country or the world. For every person, every corporation, every nation, to remain stationary, has been to recede, as others, keeping abreast with progress, have moved forward. From this mandate of destiny none are able to escape.

Can the conditions of to-day be rightly called unjust because every step of progress by which they have been attained has crushed the life out of those who would not, or could not, keep pace with the movement and profit by its benefits? The most productive soils have the deepest layers of decaying vegetation. Life lives by abandoning the forms that become unsuited to its energy and taking on new forms. Industrial progress responds to the order of life by discarding the old and utilizing the new.

POLITICAL REPRESSION.

A marked contrast with industrial progress is clearly shown by placing in comparison with it the progress made, during the same period, in the applied science of government. In the political world, customs, laws and governing bodies tend to develop a force of repression that is an exact opposite to the force of progress developed by competition in the industrial world. The reason for this is not hard to find. Government is a monopoly. It admits of no competition. It always claims authority by divine right. Whoever exercises its powers represents a sovereign before whose will the will of no man or set of men can stand. Freedom of individual initiative in industry permits mankind to be benefited at once by the best that any man can know. The denial of freedom in individual or local initiative in political action deprives society of the best that many men know. The intelligent minority is ever repressed by the ruling majority, which, under a system of individual unit rule, cannot represent more, and usually represents less, than the average intelligence. A mind capable of correctly tracing the course of events, analyzing their tendencies and measuring their expansive forces, while it can penetrate far into the realm of the future and know what, if done to-day, will be best for to-morrow, is compelled to wait on the education of those who cannot see, those who do not know, in sufficient numbers to control or direct public opinion before a forward step can be taken.

Individual minds move with the ability of an unen-

cumbered spirit. Political action moves with the ponderous, crushing weight of a glacier. Freedom of action is the generic condition of progress. The force of political repression can be overcome only by granting full freedom to the source of power, individual initiative, or to the smallest political bodies into which individuals organize for action. When the principle is adopted of making laws mandatory only on subjects concerning which there is a general agreement, and making enactments permissive, concerning which there is a wide diversity of opinion, the force of political repression will be destroyed. Progress in the science of government will then become more nearly related to progress in the science of economy.

It is the quality and character of the acts of those intrusted with public affairs, not the methods by which they become officials, that make or mar the prosperity and happiness of the people.

UNEQUAL DEVELOPMENT.

THE THING THAT IS WRONG.

More people feel that something is going wrong with our development than know what is wrong. Until we know what is wrong we cannot apply the remedy. To detect what is wrong it is only necessary to study the achievements of the men who are rated as successful in business life. Their achievements are all of wealth and power. Business success means the acquiring of wealth. The pursuit of business has no

other purpose. The prizes to be won have developed a genius for organization, executive ability, quick, decisive action, and have placed in the service of business promoters the ablest, shrewdest, far-seeing minds of the age. This has resulted in an unparalleled industrial development.

When we turn to examine our governmental development, we find conditions just the reverse of those existing in the sphere of industrial activity. The honorable prizes to be won in political life have not developed a genius for governmental organization and executive ability; they have not called into the service of the people the ablest, shrewdest, far-seeing minds of the age; the conditions of public life have tended distinctly to reject the service of the best ability, and throw it back into the pursuit of personal gains, rather than to encourage its employment in the interests of the people. This is distinctly seen in the little influence economists and expert students of a subject exert in the political world. The result is, governmental development, in its powers for intelligent legislation and regulation, has not kept pace with industrial development. We are trying to deal with new conditions under laws and precedents enacted and established by those into whose minds no intimation of present-day conditions ever entered. Not only this, we have made no effort to apply special knowledge to the collection, analysis and correct teaching of the lessons of experience. While industry is in the age of steam, electricity and labor-performing machinery, our

laws and their administration are still in the age of windmills, water wheels and hand labor. This is why the people's government is now incompetent to deal intelligently and effectively with the great business organizations that appear to be absorbing the substance of the people into individually owned fortunes greater than the world has before known. In the pursuit of business success, masters of organization have found it easy to control legislative action and use the forms of law as aids to the accomplishment of their purpose. The spirit of the age has been commercial. The thought of the people has been centered upon business success. Their representatives in legislative bodies, truly representing their desires, have legislated for business purposes. They have made law books filled with measures of expediency, hardly one of them a measure well designed correctly to apply economic principles, the operation of which must inevitably tend to promote the general welfare.

The unequal development of the highly economic organization of business, and of the low economic organization of law and administration, is the thing that is wrong. The evil should be cured, not by a leveling-down process in business organization, but by a leveling up process in law and administration. To do this the people must attract into their service ability of equal rank with that with which it must cope, if it is to serve the people effectively.

THE WORLD'S PRODUCTIVE ENERGY, WEALTH AND FIGHTING FORCE.

The increase for the nineteenth century in the world's productive energy, wealth and fighting force is estimated at five hundred per cent. The world's energy, as estimated for the beginning of the century, was apportioned as follows:

United States	5 per cent
England	20 per cent
France	17 per cent
Russia	10 per cent
Balance of Europe.....	25 per cent
Balance of the world.....	23 per cent

At the close of the century it is estimated that the world's energy is five times greater than it was at the beginning. This enormously increased energy is apportioned as follows:

United States	30 per cent
Great Britain	18 per cent
France	8 per cent
Russia	12 per cent
Germany	10 per cent
Balance of Europe.....	7 per cent
Balance of the world.....	15 per cent

This shows that the energy, wealth and fighting force of the United States has increased in one hundred years six times, while the increase for the whole world is only five times what it was when the century began. The United States, in comparison with England, now stands as 30 to 18.

A nation credited with 30 per cent of the energy, wealth and fighting force of the entire world, the valued portion of the United States, cannot evade the prestige nor the responsibility of being a world power. Such is the rank and the authority of the American republic—a government of the people, by the people, for the people. In the destiny of this nation the hopes and aspirations of the people of the world are centered.

COMMERCIAL CONQUESTS.

While some decry territorial expansion of the United States by conquest of its military and naval power, none decry American commercial conquests in any part of the world. It is difficult for our own people to realize how the stupendous gains of the United States, in wealth, productive energy and fighting force is impressing the minds of foreigners, more accustomed than we are to estimating the effect on world politics of changes in the power of nations, whether wrought by wars or industry. A foreign estimate of the potential power of a nation, for peace or for war, may be accepted as trustworthy, since it has been the business of European nations during the last half century to study this subject closely, being individually and collectively vitally interested in maintaining a balance of world powers at a point that would render war undesirable, if not impossible. The investigations and studies constantly carried on by the ablest experts at the command of foreign war offices have

made those offices centers of a practical propaganda for the maintenance of a practical peace.

In the domain of commerce, investigations and studies are carried on by foreign governments for the purpose of intelligently directing the energies of their people to the acquisition of markets promising an outlet for their products. Healthful industry demands growth. Growth means expansion. Expansion demands markets beyond the territorial limits of any nation. The logic of commerce being well understood by the older nations, it is inevitable that they should show alarm at the advent of a commercial power able not only successfully to contend with them for the markets of the undeveloped world, but to contend with equal success for their home markets. When such a nation makes its advent as a world power, it is not strange—it is decidedly logical—that foreign savants should see in such a power a menace to the stability of older nations. It is therefore without surprise that attention is directed to a notable article on "The Conquest of the World by the United States." This article cries out with alarm for Europe, induced by a review of the growth of American manufacturing enterprise and the vitality of American industry. It calls attention to the fact that American exportations have tripled in less than eighteen years. Then this alarm is sounded: There being no more Napoleons to conquer the world by arms, the Americans are doing it with work. The United States can ruin Europe commercially as effectually as if with arms. Banks will fail,

factories be ruined, and workmen starved to death by American commerce.

The revolution in the economic equilibrium of the world, now being brought about by the United States, commenced in the Orient, under England's nose. America introduced into China and Japan cottons, leathers, machines, tools and electric motors. In India the railway trains roll on American rails. In Cape Colony the United States introduced iron, motors and tools, and founded manufactories. The English were obliged to go to Philadelphia to order the construction of the great steel bridge for the Atbara River. From Jersey City three hundred steel wagons were ordered for the land of the Pharaohs, and electric cars have been sent from Pittsburg to Cairo.

All these incidents impress the foreign mind as being more than mere economic signs of the times. They have a grandeur worthy of attention. If the universal superiority of the Americans continues to develop, the commerce of the seas will soon be monopolized by American carrying trade. At the rate at which the United States is now going it will have ruined all others before twenty years have passed. Europe may well be alarmed over the prodigious expansion of this leviathan people.

From these views it may clearly be seen that those among us willing to do aught to hamper or limit our expansion, either in territory or commerce, are answering the prayers of European monarchies to have a curb placed upon the success of the American republic.

But in one thing this alarmist is mistaken. The equities of commerce should bring to the participating nations, not ruin and death, but prosperity and happiness.

CORPORATIONS AND INDUSTRIAL GROWTH IN ENGLAND.

Sir Michael Hicks-Beach, chancellor of the exchequer, referring to the industrial and commercial development of England since the enactment of the Company Laws in 1862, says: "It would have been utterly impossible for the fortunes of the United Kingdom, either at home or abroad, to have arrived at their present happy condition without the aid of the joint stock enterprise."

While it cannot be denied that the "Companies" Acts have given an immense impetus to industrial and commercial progress, there is a reverse side to the shield. The real significance of the changes which company promoters have brought about in manufacturing industries during the last twenty years demands recognition. For every new joint stock industrial undertaking floated during this period there have been at least a score of conversions.

Prior to 1880 the manufacturing industries of England were almost wholly controlled by private firms. During the last fifteen years the conversion of private firms into joint stock companies has been carried out with almost incredible rapidity. Whole industries have undergone this transformation. In April, 1885,

the number of registered companies was 9,344, having a paid-up capital of \$2,470,000,000. In April, 1898, the number of registered companies was 25,267, having a paid-up capital of \$6,915,000,000. These figures show conclusively that there has been a most complete and rapid change in the organization of manufacturing industries.

CAUSES OF THE CHANGE IN ORGANIZATION.

During the period of 1880-1890 English industries were beginning to be undermined by the rapid industrial development on the continent of Europe, which followed the close of the Franco-Prussian war. Competition in many industries became much keener. Manufacturers, recognizing that the days of large profits were over, decided that the wisest course open to them was to dispose of their business to the outside public. An example of this kind of business foresight may be cited. A large private concern in the north of England was earning a profit at the rate of \$940,000 per annum. The conversion was, of course, effected upon the assumption that profits would be maintained at that level. Since conversion the annual profits have only averaged \$220,000, a falling off of nearly 80 per cent. It is difficult to believe that this danger was not foreseen at the time of the promotion of the company. Similar instances of declining profits in the case of industrial companies floated during the last ten years might be multiplied almost indefinitely.

A second cause is to be found in the increased politi-

cal power conferred upon workmen in 1885, and in the steady growth of the trades unions both in numbers and influence. Manufacturers who might have considered it unfair to sell their factories or works because profits were declining, had no qualms in doing so when the object was to counteract the growing power of the workman. This policy showed great worldly wisdom on the part of the manufacturers, and it has certainly had the desired effect in damping the philanthropic spirit with which the general public regarded disputes between capital and labor some years ago, and in checking any too ready expression of sympathy with the workers and their claims.

In the case of the brewing industry, a cause is found in the growth of the political influence of the temperance party, and in the danger which existed that some of their proposals respecting the regulation of the trade should find their way into the statute book. The conversion of the majority of the private brewery firms into joint stock companies has enormously increased the number of people who will be financially affected by legislation on the lines of the temperance party's program, and there is little doubt that the change has helped to bring about the defeat of all attempted temperance legislation in recent years.

Two other influences have helped the change, cheap money and the appearance of the professional promoter. The latter has made it his business to seek out opportunities for the exercise of his striking talents in making profits—for himself. The difficulty in find-

ing remunerative investment for surplus capital has greatly aided the success of his schemes.

There have been a few cases of conversions merely to facilitate the transfer of shares within the family who own the business. There are likewise exceedingly few conversions in which the real motive has been the desire to obtain further capital for the extension of the business, although this is a very favorite stalking horse with the company promoter, and has figured in a large number of the prospectuses which have appeared in the daily papers. We may very safely take for our guidance, when considering these alluring prospectuses and schemes of conversion, the business axiom—that “no man actuated alone by commercial principles will sell his manúfactory or works, unless he hopes to gain more by selling it than by keeping it in his own hands. He certainly does not sell in order to benefit the investing public at his own expense.”

It will be seen from this summary that the creation of corporations in England has been as rapid as in the United States, and that Mr. Kershaw, the writer of an article on the subject, in the *Fortnightly Review* for May, 1900, does not claim that the Dingley tariff law is the mother of English trusts. Should not this cause those who denounce the protective tariff as the cause of trusts to pause and reflect?

NATIONAL CHARTERS FOR TRUSTS.

Criticisms and denunciations of trusts are widespread and inflammatory. There are many indications that trust questions are to become the stock-in-trade of an important political party. History is repeating itself in this conflict of opinions. It is adding another demonstration to the well-established fact that those who know least about a question that appeals to the popular imagination are the ones who make the most noise. It is found, when the disturbance they make has cleared away, that their only remedy for the evils of which they complain is "extermination," "annihilation." This is a confession that they do not know how to guide a pronounced economic tendency, so that it may be utilized for the benefit of the whole people. They have no remedy to offer but that of the assassin.

Men possessing broad intelligence, and the ability to reason, see, although denunciative criticism is necessary to rouse popular interest, that constructive criticism is still more necessary if a permanent and helpful conclusion is to be reached.

No general question of governmental policy occupies at this time so prominent a place in the thoughts of the people as that of properly controlling, without unnecessarily checking, the growth of corporate power. The trust question of to-day is a logical outcome of the tendency of organized industry that has been in progress during the whole of the century. The isolated manufacturing plant is being displaced by associa-

tion, as hand labor and family manufacturing were displaced by machinery and the factory system in the earlier part of the century. Had those who denounced machinery and the factory system been successful in "exterminating," in "annihilating" them, in the supposed interests of the people, which of the facilities, advantages and comforts common to the whole people would they now possess? The advantages of great systems of railroads and telegraphs cannot be enjoyed without the existence of great corporations capable of constructing and operating them. The glass, the furniture, the carpets and the tableware, now common in every American workingman's home, could not have been placed there by any other agency than machinery and organized industry. Civilization and organized industry are co-ordinate; one cannot make progress unless an equal progress is made by the other; one cannot exist without the other.

Prof. Henry C. Adams, second to none in rank among the economists and statisticians of this country, states that the primary difficulty in dealing intelligently with trust questions is found in the fact that industrial organization has outstripped legal organization. While we have telegraph companies with their central offices in New York and wires and sub-offices in every village and city in the entire country, legally they are incorporated under the laws of some state that cannot exercise jurisdiction beyond its own limits, and they are the victims of the enactments of forty-six states, and of the ordinances of thousands of villages

and cities, none of which has any authority beyond its respective and comparatively very small limits. This condition is only a little less graphically true of the great transportation lines and the transactions of great manufacturing industries. Not one of these organizations had an existence, even in the mind of the most far-seeing imagination, at the time of the framing and adoption of the United States constitution. The absence from that document of any specific provisions for the national incorporation of telegraph companies, transportation companies, manufacturing and mining industries is not evidence that such provisions were disapproved by the constitutional convention. It is evidence that at that time there was no industrial development requiring such an organization. Had there been, that provision would have been made for them does not admit of intelligent question. The judgment, as to the elements of national unity and strength, which provided that the Congress should have power over all questions involving interstate commerce, would not have hesitated to provide for the national incorporation of industrial organizations of all kinds carrying on business in several states. Not knowing that such organizations would exist as we now know them, they neither provided for nor forbade their incorporation. This fact leaves the present generation free to deal with the subject as may appear to it best.

In our democratic system of jurisprudence, the independence of the individual is the matter of chief concern. The state looks to the individual as the

source of industrial activity, and the promotion of his welfare is the reason for the state's existence. Keeping this fundamental condition clearly in mind, it is possible to reach a definite conclusion to the question: Is the national incorporation of industrial organizations necessary to the further promotion of individual welfare? If yes, then such an incorporation should be provided for and required of all industrial organizations maintaining control over an industry in more than one state. If no, then the state regulation of industry must prohibit the control, within the state, of an industry by a corporation foreign to the state. Legal jurisdiction and corporate control must be identical if the safeguarding of individual welfare by the nation or the state is to be effectual.

THE TRUTH ABOUT TRUSTS.

Some persons are so prejudiced they declare they will not believe any statement made by a corporation manager. When a corporation manager tells the truth we do not understand by what process of reasoning his statements can be classed as untrue. The truthfulness of a statement does not depend upon the character of the person uttering it, but upon the character of the contents of the statement.

CAUSES OF TRUSTS.

Economic tendency is to unite skill and capital in order to carry on a business of constantly increasing magnitude. As the business grows more persons and

more capital are required. The progression is natural from few to many, from thousands to millions, from state to states, from country to countries. Is there anything wrong in this?

REBATES AND ADVANTAGES IN RATES.

Advantages in transportation rates are secured through choice of routes stimulating competition, through offering freight in large lots, by the carload and by the trainload; through furnishing facilities for loading, discharging and storing, and through assuming the risk of loss by fire, etc. All of these advantages are legitimate considerations on which to base claims for rebates. Rebates, open and secret, are matters of bargain. No shipper is certain that he is getting the best bargain made. An open rate operated under clearly stated rules providing for rebates on legitimate conditions would destroy the obtaining of rebates as favors and give stability to rates. Would not this be right?

THE PEOPLE GET THE BENEFIT.

Every success in obtaining lower rates for transportation is followed by a reduction in price. This carries the benefit directly to the consumer. Of all persons, the consumer who enjoys the benefit of a rebate is the last one that should complain against it. Consumers do not complain. Their foolish friends do it. An illustration may here be given.

It is reported that once on a time a dry goods merchant was elected a member of a state senate. In the

course of time it was charged that he was getting his goods carried free of charge in consideration for favors he did for the railroad company. When the date came for his re-election a committee of merchants charged him with corruption and published a statement in all the city papers, claiming that because he was paying no freight he was able to undersell them. This, they thought, would put an end to his political career. But the sagacious statesman at once had their statement republished, with an added explanation: "My constituents elected me to serve their interests. I have done so. I found a way of getting my goods carried free of charge. I at once gave the benefit to my constituents by putting the price of calico one cent per yard less than my competitors' price. Whenever my constituents wish me to raise the price and pay the freight I will do so. The favors I have done for the railroad company have not cost any person in this country a single cent, therefore all I have saved for my constituents by reducing the price of calico has been a clear gain for them." He was re-elected.

FACTORS OF SUCCESS.

Profits come from increased volume of business induced by low prices and good quality. To secure merit and cheapness no expense is spared to secure and utilize best and cheapest methods of manufacture, to discard machinery before worn out, to put into operation more efficient machinery, to locate factories with the view of saving expense in handling raw material and

marketing products, to utilize and find a market for all possible by-products as well as for principal products, invest millions in cheapening the collection of natural products and distributing manufactured products, by means of pipe lines, special cars, tank steamers, tank cars and tank wagons, and to employ the best superintendents and workmen by furnishing continuous employment at the best rate of wages. By means of these advantages a continuous advance has been made in the direction of better quality, more salable products from the same material and lower prices. Profits have come through a decreasing rate on an increasing volume of business. This has made it possible to enter all of the world's markets and successfully compete with foreign producers. Every dollar's worth of product sold abroad gives employment to American workmen on American soil. Is this not what American workmen want?

REASONS FOR COMBINING CORPORATIONS.

When the pioneer settlers came together for a "house raising," they demonstrated the necessity for and the advantages of combination in industry. The industrial corporation has the same place in economic law that the political corporation has in social law. Governments are necessary for the welfare of the community; corporations are necessary for the industrial advantage of those who compose them. Industrial corporations are formed to secure advantages that cannot be gained by other means. If the prin-

ciple of combination to secure an advantage is right, the larger the combination is the greater are the advantages it can offer to its investors, workingmen and customers. Just as great cities offer more advantages than small ones, great states and great nations can do many things that are impossible to small and weak ones.

In England all corporations are national. In the United States a corporation organized in one state is a foreigner in all other states. This makes it necessary to organize corporations in many states, not only to manage different departments of the business more effectively, but to overcome local prejudices. Under these conditions the federation of corporations called trusts is in strict correspondence with the federation of states called the republic. Whenever a business grows to sufficient magnitude to have its producing and distributing plants and depots in all states and in foreign countries, a combination of a number of corporations organized to manage specific departments of the business is an economic necessity. These corporations are nothing more than organized machinery for transacting business. To deny the right of combination to them is equivalent to forbidding the adoption of a unit of power in a large manufacturing plant and prohibiting the use of more than one engine. Economy results from combinations of power in steam plants and in business organizations. This is a natural law. Is it wrong?

ABUSE OF POWER.

The correct thing to be done is to safeguard the public, small stockholders and workmen against the abuse of power. The greater a power is, the greater are the beneficent effects from its right use, the greater the evils from its abuse. There are two classes of corporation managers, the legitimate and the illegitimate. The first class manage industries with the view of making money out of their operation. Money is made in this way only by supplying a service or a product at a price that is advantageous to a buyer. If this is not done there can be no sales; without sales there is no business. Profit made under these conditions is an economic creation. It is not a tax upon the buyer. The second class manage corporation affairs to make money out of stock speculations. They will raise prices to affect the stock market when they want to sell stock and cut prices when they want to buy. They will make false reports of costs, of volume of business, of expense, of income and pay dividends that have not been earned, all for the purpose of affecting stock prices in the way that serves their purpose. An inside ring will plunder small stockholders as freely as they will the public. Mankind has no greater enemy to-day than a rich man without the restraint of principle.

Every restraint that can be put upon the abuse of power, every liberty that can be given to the legitimate use of power, will work for the general welfare and the individual good of every stockholder.

The destruction of evil is made certain only through establishing the good. Acts of incorporation designed to encourage all legitimate corporations, regardless of size, will exclude illegitimate corporations. When the act under which a corporation is operating is a guarantee of fair dealing with the smallest as well as the largest stockholder, when it cannot misrepresent conditions to affect stock quotations, it cannot misrepresent them to affect prices of commodities or the wages of employes. Constructive legislation to make these requirements certain is the true remedy for the evils of trusts. Is not this what the people really want?

"Three points are of fundamental importance:

"1. Does consolidation of manufacturing interests tend toward the reduction of cost?

"2. Will manufacturing under trusts, by measuring the output of the current demand, tend to guard society from the evils of commercial panics and commercial depressions?

"3. Is the new organization of industry in harmony with the democratic organization of society?

"A factor favoring trusts is the lack of coincidence between commercial and political jurisdiction. The federal government lacks authority in many of the issues which the trust question raises, while state authority is too divided to furnish an effective means of control. The national market has taken the place

of the local market, but we still rely upon local law for its regulation and control.”—Prof. Henry C. Adams.

CONSTRUCTIVE TRUST LEGISLATION.

The great industrial organizations known as the Standard Oil Company and the Carnegie Steel Company have been developed on parallel lines, have followed, either scientifically or instinctively, true economic principles. To those who have the ability to understand the force and the nature of the economic principles in accordance with which the administration of these industrial organizations has been guided, their brilliant success brings no surprise, involves no mystery.

We use the word “trust” in the title of this article to catch the eye, because it is a word that is uppermost in the popular mind. We know its use is improper in connection with our subject. A trust is never an industrial undertaking, it is fiduciary. Any combination of two or more persons for the purpose of gaining a commercial advantage is an organization of industry. It is immaterial whether the combination is one that combines the power and skill to labor only, or adds to this power such capital or other resources as the individual factors may possess. Once started, the application of the economic principle of effecting gains by combination will persist in development until it holds the world within its grasp. The same logic and the same force of economic pres-

sure that induces or compels two or more workmen to seek advantage in union will persist, with strength added by every successive step of progress, in demanding an ever-widening field of action. It is as certain as that day shall be followed by night, and that night shall be followed by another day, that organized labor shall grow in power on parallel lines with organized capital, and that the power to effect great economies in the production and distribution of any article of commerce will bear a proportionate relation to the intelligence with which it combines and rewards the power and skill of labor. The power of the Standard Oil Company and of the Carnegie Steel Company to command the patronage of the world is absolutely dependent upon their power to place their products at the disposal of consumers, wherever found, at a less price than can be offered by any competitor, quality considered.

All machinery that reduces cost of production and distribution requires an ever-expanding range of skilled and intelligent labor for its successful operation. No examples of the successful organization and administration of industries of the first magnitude can be found anywhere in the world that have not won success by giving continuous employment to labor at wages above the surrounding average and by giving advantages in quality and price to consumers. In no industries in the world are the average wages of labor as much above the surrounding average as is shown by the payrolls of the Standard Oil Com-

pany and the Carnegie Steel Company. The political orators and reformers who demand the extermination, the annihilation of trusts, and select these industrial organizations as victims for their wrath, are the most dangerous enemies that have ever assailed the welfare of labor, the well-being of the people. Dangerous because honest, enthusiastic and misinformed.

The demand of the hour is for constructive legislation that will permit and guide combinations of labor and capital, from the smallest groups in simplest forms to the inclusion of world-wide organizations and the most complex forms that will develop undertakings that shall have the power and the intelligence to enter all of the world's markets. Some there are who declaim against the expansion of the political power of the American republic. There are none who declaim against the expansion of the commercial power of the American people. It should be plain as the sun at noon of an unclouded day that every broadening of industrial operations must be accomplished and maintained by a corresponding broadening of corporate powers and methods of administration. It is no more possible for an industrial organization to develop its business in every state in the Union and beyond this, in every country in the world, without exercising powers never required by the same industry in a smaller form, operating entirely within a state, than it is to cause a pint cup to contain the ocean.

That policy that attempts to restrain the expansive force of industry by limiting powers of organization to the requirements of trade within a state, is pre-ordained to the fate of those who would not believe the deluge would come. The states may, and if they do not, the national government must, grant powers of incorporation sufficiently broad and elastic to permit the successful handling of any problem that may arise in combinations of labor and capital sufficiently large to enter every and all of the world's open markets. The truly great leaders and organizers of labor see this and demand it. Every economist of wide authority is foretelling this as the inevitable course of events. Every sagacious financier and man familiar with the administration of large affairs knows that the day has come when the facilities for a world-wide interchange of information and products have made a world-wide commerce indispensable to industrial independence. The unseen powers that rule the universe order progress in an inexorable series of developments. Hindered, that progress may be by the prejudices and ignorance of men, diverted from its course, it can never be. Those who have the ability to enact constructive legislation, to make its movements certain and just, will be carried forward with it. Those who seek its annihilation by obstructive legislation will themselves be annihilated.

TRUST MAKERS AT WORK.

The most dangerous class of persons in this country are those who act upon the theory that anything they can do legally—anything they can enact laws to make legal—will be upheld by the courts and secure for them the protection of law. If the protection of law for property interests is to be depended upon, no act must be permitted that will tend to weaken respect for law, much less to render such respect impossible. This course is being pursued to the danger limit by a class of promoters and speculators, who are doing far more than it is possible for mere political agitators to do, to fan into a craze a popular attack upon industrial organizations, from which legitimate business must suffer for the sins of fake companies. If law is to be respected the forms of law must not render legal requirements ridiculous.

The account of "Trust Makers'" methods in Delaware, given by the North American of Philadelphia, furnishes ammunition for popular denunciation by those who are demanding the extermination and annihilation of all trusts. It should also furnish a strong argument for a well-considered act of Congress authorizing the incorporation of industrial organizations under provisions that will be of sterling value to all genuine enterprise and correspondingly obnoxious to fake companies. In this way Congress can protect all states from the evils for which trusts are being denounced, and can give suitable recognition and encouragement to every legitimate enterprise. It can

establish a jurisdiction over trusts as broad as the national domain, and can make its requirements uniform throughout the country. This the states, acting independently, can never do.

WANTED: A REMEDY FOR TRUST EVILS.

The evils of an ice trust have lately engaged the attention of the people in New York City. The press, almost without exception, has given much space, and employed a high order of ability, to show the people how they are being robbed by this unrighteous trust, whose greedy hands are reaching out to clutch the pennies it can extort from the poor and the sick to whom ice is a necessity of life. Denunciation has been found easy and profitable. Its rhetoric is more readable than a sound discussion of a true economic remedy and much easier to write. The city controller, who is credited with having constructed a plank for a political platform guaranteed to render "trusts" impotent for evil, and to win votes, on account of the excitement of his surroundings presumably, forgot to apply the remedy contained in this plank, whatever it may be, to the case in hand, and recommended spending \$25,000,000 of taxpayers' money for the construction of a sufficient number of municipal ice plants to render the inhabitants thereof independent of any other source of ice supply. This confession of want of faith in his own remedy should prevent the rest of the country from taking it. Word should come to him, wherever he may offer it, "if your

remedy is a sure cure for the trust evil, try it on your own ice trust and report results."

The hideous ice trust hydra, which so twisted the controller's logic, appears to have reached the high tower of the New York Tribune and iced the thinker of an editorial writer so that it worked out the following:

"The proposition to establish a municipal ice plant, which should furnish ice for the people, seems a bit startling at first sight. But, after all, what is it but an extension of the water works principle? All are agreed that the municipality should furnish water—all, that is, but the Ramapo raiders. If water, why not ice? It is only frozen water. If the water supply be impure, it is obviously the city's duty to filter and purify it so as to make it fit for use. Then, if it be too warm for use, why not cool it, or provide the means of cooling it? In the words of the head of the department of health, there may be more in this than we think."—Editorial Note, New York Tribune, May 12, 1900.

There is much more in this than has been thought of by any one person or can be described in any one article. If water and ice, why not lemonade and soda water? They are only water and ice with a few other ingredients added. If ice water, why not boiling water? There are as many uses and fundamental necessities for boiling water as for ice water, or for water without ice. But let us think of the things that are "in it" in another direction. If a municipal ice plant

is necessary for the cure of the ice trust evil, why is not municipal, state or national ownership necessary for the cure of all trust evils? A state or national sugar refinery, oil refinery, steel plant, tobacco works, paper mills, etc. If there is no remedy for trust evils except in public ownership, then the people must suffer from these evils until public ownership is accomplished. If there be another remedy, why not find it and apply it to the ice trust evil and save a call on taxpayers for \$25,000,000 for a municipal ice plant? Controller Coler must have discovered some other remedy or he would not be preparing to prescribe a remedy for trust evils to be used as a vote winner in a national political platform. Public ownership cannot be his remedy. That is the remedy of the Socialists, Populists and the New Democracy. It has been in their platform for years.

The ineffective and unsound remedies for trust evils being forced on public attention furnish conclusive proof that a true remedy has not been found, or has not become known to those in position to give it a boom. All political parties are now in the market for a reliable remedy for trust evils. The demand is for a remedy that will be an attractive business proposition, that will look well, have a pleasant taste, can be taken without hurting anyone's feelings, and will be sure to cure the evils without developing any bad results for the trusts or the people. Anyone having such a remedy is requested to apply to Public Policy to find a purchaser.

[ACCOUNTING FOR THE PROFITS.]

Such details as are allowed to reach the public concerning the recent incorporation of the Carnegie Steel Company, with a capital of \$160,000,000 full paid, are well calculated to arrest the attention of business men, workingmen, politicians and reformers. The fact that this combination of ability and capital has earned large profits appears to be conceded. This done, attention is turned to finding a solution to the problem: To what is this great earning power due? It appears that President Fish of the Illinois Central Railroad suggests that the large profits are partly due to the low transportation charges. We do not understand that it is the intention of Mr. Fish to convey the opinion that the Carnegie Company was the beneficiary of special concessions, but that railroads generally have made rates lower than was just to railroad capital, and that manufacturing capital generally has received a proportionate advantage.

The Carnegie Company has no mortgage debts, no vast volume of common and preferred stock. Its managers are men of exceptional ability who hesitate at no expenditure, however great, by means of which a reduction in cost of production could be secured. It is an old mercantile saying that "an article well bought is half sold." In other words, an advantage in the cost of an article secures a corresponding advantage in finding a customer for it. Low cost of production furnishes an argument to those who solicit

orders or make bids on contract specifications that is easily translated into all languages and the logic of which is decisive wherever used.

If the details of the development of the Carnegie Company, and of the men and the capital that have been brought together in this great industrial organization could be truthfully and plainly written out so all who wish could know them, the facts given would simply be an historical statement of sagacious energy and astute judgment directed to the purpose of making money by securing the ability to give advantages. Unlike some railroads, the managers of which operated to make money by stock manipulations, resulting in wrecking the roads, Mr. Carnegie and associates have always operated to make money out of the productive industries under their management. When money is made by stock manipulations, the gain of one is the loss of another. But when money is made by productive industries, the gain of the producer is made by giving a benefit to the consumer. Any combination of circumstances, any trend of public opinion, any legislative enactment that assists the suppression of speculative managers and aids the development of industrial managers will work directly for the promotion of the general welfare. The greater true industrial organizations become, the more widespread will be the benefits they can give, the more reliable will be the stability of their operations, the more certain will be the employment and the better will be the pay they can give to labor.

Directed by a judgment that is apparently unerring, because following the principles of true economic science, from the great heart of the industry at Pittsburgh, the effort to reduce costs reaches out to all operations for securing materials to be consumed in the processes of manufacture. Grasping the products of nature at their birthplace, they are never parted with until delivered as finished products for final use, or as elements in other manufacturing processes. The profits of mining, the profits of transportation, the profits of manufacturing are all combined and placed at the command of those who calculate costs, and of those who, reaching out from the center of energy in the other directions, bid for orders in competition with the world. Through this organization buyers in all parts of the world are induced, compelled, in fact, to give employment to American workmen in Michigan, Illinois, Ohio, Pennsylvania, New Jersey—as a matter of fact—in every state of the Union.

To deal with the world, to meet in successful competition the economic conditions natural and created, the ability and the capital of every country in the world, and to reduce costs by means of paying high wages to skilled men able to operate the most powerful and complex labor-performing machinery, requires freedom in the form of organization, in the exercise of power to carry out any kind of a transaction to acquire, own and dispose of any kind of property, without limit. Any restraint upon the exercise of such

powers is a restraint upon trade and against sound public policy. The source of profit is in the strength of the organization, its freedom of action and the sound judgment of its directors.

COUNTERFEIT STATEMENTS ARE BREEDERS OF SOCIALISM.

Methods and conditions that appear new are rapidly multiplying, which the intelligently thoughtful recognize as breeders of socialism. The most vital fact to be considered in this connection is found in the truth that this class of ideas is vitalized by the presence in the brain or heart of those in whom they find a breeding place, of a quality of mind it is the peculiar function of morality to expel—*dishonesty*.

An intelligent and honest use of the power of great corporations will never breed socialistic microbes. Such use is an antidote for them. The reverse is as true. An intelligent and dishonest use of the power of great corporations is the most prolific cause of socialism known to our civilization. This fact is attested by the universal demand for publicity as a remedy for the evils experienced or feared from the organization of great industrial corporations. Publicity is expected to accomplish its results in two ways: (a) By disseminating information; (b) by giving the power to those injured to hold those who manage such corporations responsible for their statements. Dissemination of information is not the whole

of the requirement. Good morals and good law demand that that which is published as information shall be genuine, that it shall be information—not misinformation.

When those who are in position to know and to manipulate the affairs of great corporations give out statements that are untrue to affect the market price of stocks to their private advantage, their action is dishonest. They commit a crime against those they cause to buy or sell the stock, and against the other stockholders of the corporation; that is in effect—robbery. This action offends one class of the community—those who own or deal in industrial securities. While but very few of the large number of corporation managers and officers may be capable of this crime through being morally defective, the fact that there are those who are guilty of such practices casts a suspicion upon all who are in a position to practice them. They are counterfeit gentlemen. They thrive by uttering counterfeit statements. They set everyone to doubting the genuineness of every statement regarding industrials, just as the announcement that a counterfeit bond of some corporation has been discovered sets all holders of bonds to wondering whether or not the bonds they hold are counterfeit. All this is an injury to business which anyone can understand, and understanding it, can see that the remedy for such an evil is to apply to all cases discovered the principles of the laws designed to protect the coinage and currency issues of the govern-

ment from being counterfeited. It is as essential that statements affecting values that are permitted to have circulation shall be genuine as it is that the currency used as a medium for exchanging values shall be genuine. Both require the stamp of the government to enable them to circulate without question, and prosecution by government of all counterfeits to prevent fraud.

Statements affecting values are not confined to operations on the stock exchange. They may affect values for a vastly larger class, and a class much less able to protect themselves, than stockholders or brokers, when made as a pretext for refusing to raise or for enforcing a reduction of wages. The workman who is defrauded out of the share of an increase in the selling price of the commodity he is employed in helping to produce, or by having a part of his wages unnecessarily taken from him when no corresponding change has occurred in cost of production or selling price, by means of a counterfeit statement, is the victim of dishonesty, of the crime of robbery, as clearly as the person who loses his money through being induced to sell or buy a stock at other than its real value by a counterfeit statement circulated to affect the price of the stock on 'change. The wage-earners of the country require the protection of laws designed to guarantee that statements made by corporation managers and officers are genuine, and to punish the circulation of counterfeit statements, as much as the country as a whole requires the pro-

tection of laws to guarantee the genuineness of its currency and to punish those who counterfeit it.

Values are affected for still larger classes by statements made to support increases of prices for commodities or services rendered. In this case there is a limited remedy in the choice buyers or users may have in substituting some other commodity or service or doing without. But this is a good deal like a remedy for all the evils of life—suicide. It is not sound public policy to force people to employ it. An increase of price not made necessary by a corresponding change in conditions governing cost, or a failure to lower price when changes in cost would justify it, defrauds buyers and users. It makes them the victims of dishonesty, of the crime of robbery. All buyers of commodities and users of public services require the protection of laws designed to guarantee that statements made by corporation managers and officers are genuine, and to punish the circulation of counterfeit statements.

Every victim of dishonesty, the crime of robbery, by reason of counterfeit statements made by corporation managers and officials, whether he be an investor in corporation securities, an employe, or a buyer or user of commodities or service, is made to feel that a remedy for such an evil must be found. In searching for a remedy he finds that the only power capable of coping with the great corporations is the power of the government. This power can be exercised in but two ways: (a) To guarantee the genuineness of

statements and punish their counterfeiting, or (b) to assume the ownership and operation of the business for public account. In other words, to eliminate the offending corporation managers and officers by ousting all managers and officers of private corporations and establishing one great corporation, the nation. This is socialism. Every counterfeit statement made by a corporation manager or officer is a socialist microbe. These microbes must be destroyed or socialism will be established.

Corporations should be dealt with as natural persons. They should be permitted to do anything a natural person may do, and should be prohibited from doing all things natural persons should not do. Natural persons should be honest, so should corporations.

PUBLICITY.

Publicity is demanded by all parties from one end of the land to the other as a means of suppressing the evils feared or suffered from so-called trusts. If it were not tragic, it would be grotesque to see the people demanding publicity with such unquestioning confidence in the infallibility of their legislative god. Publicity, indeed!! Whence will come the power and the ability to obtain or compel correct and complete publicity from the accounts of great corporations, with limitless resources, and under the management of the most capable and sagacious men the world has ever produced? If the people have not the power and the intelligence to cause the public accounts that are

their own to furnish examples and standards of correct and complete publicity, how can they expect to be able to create such examples and standards from the private accounts of corporations?

When the people demand publicity as a means of regulating corporations they must realize the necessity of furnishing standards for regulation from the accounts of publicly owned and operated industries. When a uniform system of accounting for all public accounts prescribed and audited by the state enables the people to know the exact truth about the financial transactions of political trusts, called governments, they will have a system by which to test the financial transactions of industrial corporations.

It must be clear to any mind that, if a public policy is to be correct, the public opinion demanding it must be correct. If the publicity on which public opinion is based is not correct, then opinion cannot be correct and the public policy it demands will be wrong. A wrong public policy cannot properly promote the general welfare.

State Legislatures and the Congress are submerged with bills demanding publicity. The most of them are absurdities. Their only purpose is to enable their authors to supply them to their constituents as evidence that they are the peoples' friend. In the face of conditions now existing and those that are sure to be developed by a political campaign, it will be the part of wisdom to pause and ask what kind of publicity, and how much of it, do the people need, and

on what terms should it be procured? Conditions may be created by publicity far more serious than any that can exist without it. We demanded publicity as a remedy for certain evils when there were none to join in the effort to secure it. We demand it now, but we know it must be obtained in accordance with the requirements of a true science of accounting and of government, or the people will be deceived to their injury.

INDUSTRIAL AND DISBURSING CENTERS.

If one should read only the attacks on corporations and trusts made by politicians hoping to win prestige thereby, he would become saturated with the idea that no community could be found willing to furnish a domicile to any member of the octopus family. This is not the case, either because some communities do not permit politics to interfere with their business prosperity, or because their politics are not of the kind that works continuously against the development of industry .

Notwithstanding all the evils, real and imaginary, that have been ascribed to the corporate organization of industry, it still remains true that no effective substitute for corporate organization has been found. While this remains true, whenever and wherever opportunities are found for organizing an industry on a large scale, a corporation will be created and any intelligent community favorably situated for becom-

ing a center for the industry will invite the corporation to locate in its midst.

The disbursement for wages made by a corporation employing 500 to 1,500 men will give life to every social and business function or occupation in the city. The increments of advantages from such a concentration of the elements of industry and commerce must result in betterments for the general welfare as well as individual gains. The concentration of industry means the creation of a large disbursing center. This fact should not be lost sight of by communities when shaping their public policy regarding corporate industries.

The universality of unwritten economic laws is demonstrated by the experience of communities in all parts of the world. Communities promote or kill public and individual welfare by intelligently conforming with or ignorantly violating such laws in their adopted public policy.

TRUSTS OBEY ECONOMIC LAWS.

The sugar trust has been defeated by natural economic laws. There is more encouragement for the public in this fact than there can be in all the noise of political debate in or out of Congress, or in any of the legislation that has been proposed or enacted to destroy trusts.

The existence of a strong popular demand for anti-trust legislation is undeniable, but the events of the last year have confirmed the conviction among those

who are thoughtfully intelligent that the thing needed is a wisely devised national law for the incorporation of organizations doing an interstate and foreign commercial business. A law that will give ample protection to small and large investors so far as they can be protected by a knowledge of the truth regarding their management. Such a law was introduced in the New York Legislature by Senator Brackett, and in the Ohio Legislature by Representative Price (1900), which was understood to have Governor Roosevelt's approval.

Experience demonstrates that corporate manipulators do not care whether they make their money by sacrificing the interests of workingmen, consumers of their products, or small shareholders who are not on the inside. Any system of publicity that will deprive these manipulators of the power to disregard the interest of the smallest shareholder will deprive them of much of their power to manipulate supply and demand prices, in disregard of the interests of the public.

If these great corporations, no matter how large they may become, can be held in position to be affected by natural economic laws, they will always be kept within range of a competition that will effectually prevent them from doing a public injustice for any serious period of time. Whenever they so arrange the costs of production and selling prices of commodities as to create abnormally large profits, they will offer a premium to new competitors to enter their

field. When this is done productive capacity will soon exceed consumption and prices will go lower than before to induce a demand that will keep productive works in full blast. Many illustrations of this fact can easily be found. The experience of the sugar trust may be taken as a case in point. It was well managed and had tariff protection. As soon as its profits became abnormal competing plants were erected, and a few years ago, to restore its so-called monopoly, it bought out its competitors at high prices, increasing its own share capital fifty per cent to accomplish this object. But that did not put an end to competition. Soon other refineries with much greater capacity than those the trust had bought were erected at a cost but a fraction of the price at which the trust had absorbed its other competitors. Then came a war of competition in the attempt of the trust to crush its rivals by putting down prices. The avowed purpose was to drive all rivals out of existence. Two years of war—the public benefiting all the time by low prices, workingmen benefiting by the employment made necessary to supply the great demand induced by low prices, and shareholders getting small or no dividends—have now ended in an acknowledgment of inability to crush competitors. By keeping prices on a losing basis so long the so-called monopoly benefited the public. Not for love of the public, but for the accomplishment of its selfish ends. By its former high prices it induced the competition that compelled low prices. Take the prices of the

high and low periods together and the average for the whole time will be a fair normal.

This is a demonstration that, in the field of competitive production and distribution, the creation of a permanent monopoly is an impossibility. The public is protected by natural economic laws stronger than any Congress can enact and self-executing. It is the duty of legislators to keep the field of competition free, but to insist upon civilized welfare by a system of publicity that will protect investors from the cupidity of manipulators who do not hesitate to disturb the course of fair trade by arbitrary acts designed solely to affect the stock market.

SMALL SHAREHOLDERS IN LARGE CORPORATIONS.

Special notice should be given a paper by Mr. James B. Dill, "Industrials as Investments for Small Capitals." (Public Policy, June 9, 1900). By the term "industrials," Mr. Dill means the large manufacturing corporations incorrectly called "trusts." In the language of the Stock Exchange, "industrials" includes large manufacturing and public service corporations, and sometimes it takes in mining and transportation securities.

No one can read Mr. Dill's paper intelligently without being impressed with the fact that the welfare of society, the real security of those who are concentrating capital into the ownership of undertakings of constantly increasing magnitude, is to be found only in

proper organization and regulation. No state has on its statute books a law for the incorporation of business organizations as well designed to safeguard the interests of minority shareholders, as was the proposed law introduced in the New York and in the Ohio Legislature during their last sessions (1900). The central principle of this measure was that a shareholder is entitled to complete knowledge of everything done by the officers having the management of the corporation, and that if he is deceived by any statement made by them, or by their failure to give information of essential facts affecting his interests, he should have a right of action against them to recover losses they may have caused him to make. On the other hand, that the will of the majority interests should not be hampered by the obstruction of a minority. To prevent this, it is provided that the majority may acquire the holdings of the minority by paying an appraised value. In broad terms, the rights of an individual dollar being fully and effectually safeguarded, every dollar invested is endowed with similar rights. Under these conditions no restriction whatever is placed upon the magnitude of an organization or the business it may do in the production and distribution of commodities of commerce.

Those who accumulate only by laboring and saving are heavily handicapped by the fact that there are so few ways in which they can employ their savings as an earning power, and what opportunities they do have sacrifice a high earning power for safety. The man with only a dollar, and the man with a million dollars,

loan their money at the lowest rates of interests. It is the absence of the element of safety that shuts the millions of the many out of "industrials," and secures for the millions of the few a monopoly of the high earning power developed through such organizations. The power of money safeguards the man with a million. The power of law is the only dependence of the man with only one dollar. When the courts forbid the investment of trust funds in "industrials" it is an acknowledgment that the laws governing such organizations are defective in the security they give to small investors who must entrust the management of affairs to others.

The day of world commerce is here. The need of the hour is a national law providing for the incorporation of business organizations engaged in the production and sale of commodities of interstate and foreign commerce. The national banking system provides for giving currency to titles to the ownership of property. That the system is of high beneficence to the welfare of all the people of this country, will hardly admit of intelligent question. This being so, there is no basis for doubting that a national law providing for the creation and distribution of commodities, of the property upon the existence of which all bank transactions are founded, will be a benefit to all of the people of this country, the full measure of which cannot now be known, nor is there any basis for doubting the power of Congress to enact a law that will fulfill all necessary requirements.

The science of legal economic organizations must and will follow the lines of political organization. The rights and the liberties of the intelligent and powerful few have been secured in largest measure only when every person has been permitted to partake of the same advantages. The millions of the few will never be completely safeguarded until the dollars of the many can enter with perfect safety into the same investments and share the full measure of all advantages. Security, like wisdom, is multiplied by the number with which it is divided. Make the investment of a dollar as safe as the investment of a million, and the available capital for "industrials" will be increased enormously. Americans can handle the business of the world.

WAGE SLAVES.

If any wage-earner feels himself a slave it is because he has been miseducated. How would his condition be changed if the socialism so lauded by Mr. Debs was in complete control "of all the means of production and distribution?" Would it not be necessary then, as now, to carry on production and distribution by means of organized labor? How could production proceed if every workingman did not have an assigned part to do and did not do the part assigned to him? Who would ride on a railroad train if he did not know every man of the crew from engineer and conductor to brakeman had his orders to carry out and would obey them? Would those orders

be any less imperative coming from a state or national board of managers than from a corporation board of directors? Does not wage slavery consist in being required to obey orders? If not in that, then it must be in the compensation received for work performed.

Under the wage system, wage-earners receive an agreed compensation for an agreed amount of work, usually measured by hours, days, weeks, months or years. Their real compensation is the amount received in its relation to what can be obtained with it for supplying the needs, comforts and enjoyments of life. Since society ordained that every laborer shall own and enjoy all the products of his labor, and thereby induced saving and the creation of property and capital, the effective compensation received by labor in relation to the hours of labor have enormously increased. Not one of the workingmen has any knowledge of any place or time when, for the work he performs, as effective a compensation was received by the worker as he now enjoys. No experience can be cited to warrant the assumption that, if "all the means of production and distribution" were owned and operated by the state, the assigned share of any workman, for work performed, would exceed in effective compensation the wages he now receives. Much experience there is to show that the tendency would be in the other direction.

Viewed from the point of having to obey orders, or from the point of the share received for work performed, the term "wage-slavery" is equally fallacious. It is used to poison, not to instruct the mind. Men

are slaves only when they are the victims of their own or others' ignorance and prejudice. There is not an intelligent person living who does not respect any man who has the dignity, courage and intelligence willingly to work as best he can to win a support and comforts for himself and his own, demanding fair compensation for quality and amount of work done and the right to hold his job by virtue of his proven efficiency and trustworthiness. Those who so earn their living are the only real sovereigns. They live by the favor of no one. They give good value for all they receive and are free.

HUMAN NATURE AND STREET CAR FARES.

An address to the Board of Supervisors of San Francisco might well be set under the title of "A Study of Human Nature as Affected by Street Car Fares." As human nature, or at least that section of it which is known as American human nature, is very much alike in every city, the plain analysis of the conditions which affect the crowding of street cars, given in this address, will be read with keen and sympathetic interest by street car conductors, managers and the people, in every city in the country. It is very clear from this analysis that the true remedy for crowded street cars does not lie in the direction of attempting to compel the company operating the cars to pay a penalty, but to place the penalty upon the passenger who intrudes upon the comfort of others by crowding into a car when

it contains no seat that he may occupy. If a rule required a conductor to refuse to stop for passengers when the car has no unoccupied seats, or required a passenger to pay double fare when intruding on the comfort of others in order to save his own time by boarding a car in which he could not be seated, the evil of overcrowding would be overcome. As these remedies will not be demanded by the public, we think people will continue to crowd into fully occupied cars and to complain. The only way to keep a car from being crowded is to prohibit people from entering a car when it contains no unoccupied seat. Permitting people to ride for half fare will not do it. Such permission will aggravate instead of abate the evil.

NO INFALLIBLE RULE FOR SUCCESS.

Nothing is more usual, or natural, than for the unsuccessful to attribute their lack of success to conditions beyond their control. In this they are right more frequently than is usually admitted. There is hardly an instance of marked success in any sphere of action where it cannot be shown that many have failed where but one has succeeded. The reason for this is usually found in the conditions over which the worker has no control. Many a farmer may say that he has lost a fortune by not having as much wheat to sell when it was bringing two dollars a bushel as he had when it was bringing only one dollar a bushel. The variable conditions of the product of a season, and of the market

price of the products, are beyond his power of calculation. It cannot be said, however, because this is so, that he can reasonably hope for success if he fails to use energy, knowledge, care and judgment in working his farm and selling its products and to use his income wisely.

It will be found on analysis that some praiseworthy and some deplorable traits of character, some desirable and some undesirable conditions affecting the general welfare have been contributory to success. Knowledge and association are powerful factors. Properly developed, these factors can overcome all controllable variable conditions, and can insure against the uneven effects of uncontrollable conditions. The splendid height and horrible abyss, of abnormal success, or of failure, may be equally avoided in seeking the golden mean of general prosperity.

CARING FOR THE POOR.

The problem how to care for the poor, especially in great cities, with sympathy and justice is one to which no entirely satisfactory answer has been given. The charitable instinct is sufficiently active. The amount given is usually enough, sometimes more than enough, the problem is how to guide its distribution without wastefulness or favoritism, on the one hand, and how to cause the help to be so given that it will stimulate, not paralyze the desire and effort of recipients to provide for themselves. In a problem of this kind the

effects of systems upon givers and receivers must be studied with equal caution. Both need the harmonizing influence of personal contact as far as such contact can be made practicable. The views of social obligations held by each will be modified and changed in important particulars by the personal acquaintance of class with class.

The attitude of the government toward the poor is of greater importance than the attitude of a class, because the government is the representative of the whole of society. If this attitude is always in the aspect of brute force exercised to compel this or that to be done, how can the poor escape the feeling that the government is an agent of the rich and powerful organized for the suppression of the poor? How can the feeling be escaped that there is some mysterious connection between the acquisition of riches and the favors of government? How can these feelings fail to engender hatred for the rich and contempt for law?

There is much wisdom in the suggestions made by Dr. Carr, that policemen should be the real charity and humane agents of municipal governments. By doing this the government may come in contact with the poor in a way to cause every recipient of its helpfulness to feel that the law is the poor man's friend, that its administration is for the benefit of the unfortunate, and that its methods are necessary for the welfare of the humblest citizen. The daily contact of the representatives of authority with the poor, for the purpose of kindly helpfulness, instead of punishment, will have a

humanizing tendency in its effects upon the police force and a corrective tendency upon the minds of the poor that must make for the general good in a way of which there is urgent need. This proposal revives an idea we have long entertained. The police force is a better school in which to prepare men who have the right qualities of mind and heart to be preachers and teachers than are theological colleges. If a man is to preach humanity he must know humanity. On the police force he can learn humanity.

THE ELECTION PUZZLE OF 1900.

(Public Policy, June 30, 1900).

Who will be elected president of the United States this year? But for the changes in the vice-presidential candidates the banners of 1896 could do service in 1900. This fact is proof that the contest will be a battle royal this year. States considered doubtful by either party will be the scene of a struggle of the first magnitude. The campaign will be opened promptly and the work will be pushed with greatest possible vigor by both parties. To show where this work must be done, we publish three lists covering the entire electoral vote of the country:

REPUBLICAN STATES.

Maine	6
New Hampshire.....	4
Vermont	4
Massachusetts	15
Rhode Island.....	4

Connecticut	6
Pennsylvania	32
Ohio	23
Michigan	14
Illinois	24
Iowa	13
Wisconsin	12
Minnesota	9
North Dakota.....	3
California	9
Oregon	4
Total safe vote.....	182
Must win from doubtful states.....	42
Necessary for election.....	224

DEMOCRATIC STATES.

Virginia	12
North Carolina	11
South Carolina	9
Georgia	13
Florida	4
Alabama	11
Mississippi	9
Louisiana	8
Texas	15
Arkansas	8
Tennessee	12
Missouri	17
Colorado	4
Nevada	3
Total safe vote.....	136
Must win from doubtful states.....	88
Necessary for election.....	224

DOUBTFUL STATES.

New York.....	36
New Jersey.....	10
Delaware	3
Maryland	8
West Virginia.....	6
Indiana	15
Kentucky	13
Kansas	10
Nebraska	8
Wyoming	3
South Dakota.....	4
Montana	3
Idaho	3
Utah	3
Washington	4

Total doubtful vote..... 129

Which of these doubtful states will be carried by the Republicans and which by the Democrats? Will the Democrats carry any of the Republican states, or the Republicans carry any of the Democratic states, and if so, which? These questions are the election puzzle for 1900. Who can say now how the vote will stand in November?

CAMPAIGN OF EDUCATION TOO LONG DEFERRED.

Readers of "Public Policy" know how persistently we have endeavored to cause taxpayers to realize the danger that threatens them in the popular demand for the municipal ownership and operation of public utilities. Only those who have undertaken it know how hard a task it is to secure attention for discussions of economic questions which do not at the moment appear to touch the pocketbook nerve of those addressed. Taxpayers, as a body, do not yet realize that proposals for the municipal ownership and operation of one public utility after another is a direct attack upon the right to own private property. There are instances, however, when some realize this, after the work of educating public opinion up to the point of voting municipal bonds has been done and the people are ready to vote on the question. It is only then that they will stir themselves and wildly call for literature to turn the tide that has been gradually rising against them for months and years. It is astonishing to see business men whose judgment is perfectly sound on all details of the business to the management of which they give their entire time, thought and energy, acting as though they supposed any article ever written could be sufficiently convincing to change the opinion of the average voter if it is placed in his hands only ten or fifteen days before an election. Here is an illustration; a correspondent says:—

"We are in the agony of a campaign for municipal lighting. We defeated the vote once by a narrow margin. The municipal ownership advocates have succeeded in getting the necessary measures through our city council to bring on another vote within fifteen days. We have corresponded with such persons as we thought would be able to suggest something in the way of printed matter that could be mailed to voters with the view of defeating the measure. You will probably grasp the situation better than we can describe it. Please to favor us with any suggestions that will meet our wants."

The only thing that will meet this want is a correct education of the people. This requires time, intelligent and continuous work. If the taxpayers of the town from which the letter quoted was received were as keen to protect themselves from unnecessary taxation as they are to make money, every one of them would be a subscriber for Public Policy. Acting under our instruction they would be demanding a uniform system of municipal accounting prescribed and audited by the state, so they could have the means of knowing that the money collected from them was honestly, intelligently and necessarily spent. They would demand a law requiring the accounts of all municipally owned and operated public service industries to show the true and entire cost of this service and protection for themselves by requiring that no municipality should sell a service at less than its cost. They would ask the Legislature for power to contract for their public lighting

service on the basis of cost plus a reasonable profit and to reduce cost to the lowest possible point, by making the contract exclusive and perpetual, the price to be adjusted on the basis specified at stated periods. They would know that the cost of the service to taxpayers, under such a contract, will be less than under municipal ownership and operation, and they would have no occasion to fight a demand to place a public mortgage on their property.

Until voters are properly educated on these lines taxpayers' money will be wasted and their property will be mortgaged to satisfy the demands of those who are misled by the advocates of the fallacy of municipal ownership and operation of public service utilities. An ounce of prevention is worth a pound of cure.

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